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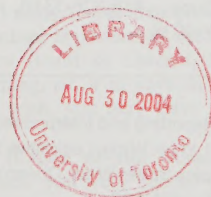
Mercredi 18 août 2004

Standing committee on finance and economic affairs

Ontario Securities
Commission Review

Comité permanent des finances et des affaires économiques

Étude de la Commission des
valeurs mobilières de l'Ontario



Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 18 August 2004

Mercredi 18 août 2004

The committee met at 0901 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. Good morning, everyone. I would like to begin with the reading of the report of the subcommittee. Mr O'Toole, if you would, please.

Mr John O'Toole (Durham): With your indulgence, the standing committee on finance and economic affairs subcommittee report:

Your subcommittee met on Wednesday, July 21, 2004, to consider the method of proceeding in order to fulfill the review, consultation and reporting obligations as set out in subsection 143.12(5) of the Securities Act and specifically the priority recommendations as set out in the Five-Year Review Committee Final Report: Reviewing the Securities Act (Ontario) including:

—securities regulation in Canada and a single regulator system; and

—the appropriate structure for the adjudicative tribunal role of the Ontario Securities Commission (OSC); and recommends the following:

(1) That the committee meet in Toronto on August 18, 19, 23 and 24, 2004 as required, for the purpose of holding public hearings.

(2) That the committee clerk, with the authorization of the Chair, post information regarding the hearings on the Ontario Parliamentary Channel, the committee's Web site and in the National Post and the Globe and Mail newspapers on Tuesday, August 3, 2004.

(3) That interested parties who wish to be considered to make an oral presentation contact the committee clerk by 5 pm on Wednesday, August 11, 2004.

(4) That, in the event all witnesses cannot be scheduled, the committee clerk provide the members of the subcommittee with a list of requests to appear by 12 noon on Thursday, August 12, 2004.

(5) That the members of the subcommittee prioritize the list of requests to appear and return it to the committee clerk by 5 pm on Friday, August 13, 2004.

(6) That groups be offered 20 minutes and individuals 10 minutes for their presentation. This time is to include questions from the committee.

(7) That the Chair of Management Board of Cabinet be invited to speak to the committee for an hour the morning of August 18, 2004.

(8) That the committee request a two-hour technical briefing from the Ministry of Finance the morning of August 18, 2004.

(9) That the opposition critics be allotted 10 minutes each to make statements the afternoon of August 18, 2004.

(10) That the committee invite David Brown, chairman of the Ontario Securities Commission, to speak to the committee for an hour the afternoon of August 18, 2004.

(11) That the committee invite Purdy Crawford, chair of the five-year review committee, to speak to the committee for an hour the morning of August 19, 2004.

(12) That the deadline for written submissions be Tuesday, August 24, 2004, at 5 pm.

(13) That the research officer prepare a draft report for the committee's review by Monday, September 20, 2004.

(14) That the committee meet to review the draft report on Tuesday, September 28, 2004, at which time any dissenting opinions shall be filed with the clerk of the committee.

(15) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the passage of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

The Chair: Any discussion? Hearing none, all in favour? Carried. Thank you very much.

ONTARIO SECURITIES
COMMISSION REVIEW

The Chair: Now we'll move to our first presentation of the morning. The committee is pleased to welcome the Chair of the Management Board of Cabinet, Minister Gerry Phillips. Good morning, sir. You have an hour for your presentation. If you wish, you may leave time for questions within that hour.

Hon Gerry Phillips (Chair of the Management Board of Cabinet): Thank you very much, Chair. I appreciate the chance to be here and to address you on the five-year review committee final report. I've also asked Phil Howell, the assistant deputy minister in this area and our senior civil servant in the area, to join me in

case there are any technical questions. Again, I appreciate the chance to be with you, to give some opening remarks and to leave some time for questions as well, Mr Chair. I think my presentation will run perhaps half an hour, and so I hope we'll have a good chance to discuss the report.

The report and the referral of the report to a legislative committee are part of a periodic review process that's required, as you know, by the Securities Act. This is the first five-year review, and it's timely at this juncture, when there are a wide range of capital markets reform initiatives under discussion. Your committee's review of the report will assist in maintaining up-to-date securities laws and ensuring that regulation remains relevant in the current environment.

Today, I plan to discuss the role of capital markets in Ontario and the overall context for securities regulation here; to provide some background on the five-year review committee and the process it went through in reviewing Ontario's securities laws; and to give a brief overview of the five-year review committee report. I'll focus on two of the report's priority recommendations: The first is to move to a single securities regulator in Canada, and the second is to study whether a separate tribunal should be created to carry out the adjudicative role of the Ontario Securities Commission. I'll also comment on other securities regulation reform initiatives currently underway and how they relate to the five-year review committee's recommendations.

After I've concluded, the Ministry of Finance staff will provide a technical briefing. Phil Howell, who is the assistant deputy minister of the office of economic policy and chief economist, and Colin Nickerson, senior manager, securities policy unit, a branch of the economic office, will handle that presentation.

I think we all appreciate that well-functioning securities markets are essential to economic prosperity in Ontario and across Canada. Vibrant capital markets attract investment. They provide funds for new industries and the expansion of established industries. They provide Canadians with opportunities to invest to help them save for retirement, fund their children's education or purchase a home. As we all know, capital markets connect people and institutions that have funds to invest with those wanting to put their funds to productive use.

As you look around this city, this province and this country, the essential role of our capital markets is readily apparent. Historically, they have supplied funds that have fuelled the development and growth of all sectors of the economy. Most significantly—and I think we all appreciate this—most Canadians now have a stake in Canada's capital markets, whether directly by owning shares and bonds or indirectly through any pension plan or retirement savings plan.

The securities sector has become an important industry in its own right, but beyond that, our capital markets play a key enabling role in facilitating the growth of other industries. We cannot take for granted the critical function that capital markets play. We must

recognize where change is needed and take the appropriate steps to ensure that our capital markets remain healthy and vibrant.

0910

One of the keys to a vibrant and competitive capital market is effective regulations. Governments regulate securities markets to protect investors from unfair practices and fraud, as well as making sure that businesses have efficient access to the capital they need to grow and expand. As capital markets evolve, we must ensure that regulation also adapts to serve these twin objectives: raising the money and making sure the investors are well protected.

The regulatory framework must be both effective and efficient. Governments must balance protections for investors with the need for fair and efficient markets. Regulators must have the capacity to enforce securities laws while not imposing an unfair or undue burden on business.

I'll talk a little bit now about the importance of capital markets. Canadian capital market activity is largely, as I think we all know, concentrated in Ontario. Ontario accounts for more than one half of the jobs and the real output of the Canadian securities industry. Ontario companies account for about half of the number and value of Canadian companies listed on the Toronto Stock Exchange.

The TSX itself accounts for virtually all equity issuances and trading in Canada. It's one of the key organizations at the centre of capital market activity in Ontario's financial sector, which, by the way, currently employs about 325,000 people—hugely important to us. Toronto, as I think you probably appreciate, is North America's third-largest financial centre, after New York and Chicago.

Canada's capital markets are a large part of Canada's economy and Ontario's economy, but we must not lose sight of the fact that our capital market is a relatively small proportion—less than 3%—of global markets. I'll discuss that later, as this is a key consideration in determining whether Canada can afford to have 13 securities regulators.

A little bit of background on the five-year review committee: On March 2, 2000, the first five-year review committee was established to review Ontario's securities laws and the legislative needs of the Ontario Securities Commission. The committee was chaired by Purdy Crawford, whom I think you will hear from tomorrow, and also included Carol Hansell, William Riedl, Helen Sinclair, David Wilson and Susan Wolburgh Jenah. The committee spent three years developing and consulting on their report. Members gave generously of their time and expertise, and I am confident you will agree that this demonstrates the best spirit of public service. We're very grateful for their contribution. I would like to take this opportunity to acknowledge their efforts and to thank the five-year review committee and their staff for all their hard work.

Process: In developing their report, the committee published for comment an illustrative set of issues it

proposed to consider. That was the first step they did, to publish these issues. The committee then released a draft report of its review of Ontario's securities laws for public comment in May 2002. In response, the committee received 45 submissions from investors, public companies and securities intermediaries. The committee reviewed these comments and revised their report as they considered appropriate. Their final report was delivered to the Minister of Finance in March 2003, and the report was tabled in the Legislature and then referred to this committee.

The report is an in-depth review of a wide range of securities law issues. As you know, this document contains 95 recommendations covering most aspects of securities regulation. As noted earlier, two of the report's priority recommendations are, first, moving to establish a single securities regulator across Canada and, second, the need to study the appropriate structure for the Ontario Securities Commission's adjudicative tribunal role. I will discuss these in more detail later.

However, the report also contains recommendations for significant change in a number of other areas, including:

Implementing civil liability for secondary market disclosure. This would give investors broader rights to sue for company misrepresentations when they buy shares that are already traded in the market. It would put them on a similar footing to investors who buy shares through transactions such as initial public offerings, or IPOs;

Secondly, giving the Ontario Securities Commission more rule-making authority in relation to the corporate governance standards of public companies;

Another area they recommend is requiring the establishment of new independent governance bodies for mutual funds;

They also recommend stronger powers for the Ontario Securities Commission and the courts to enforce compliance with securities laws, and so-called whistleblower protections for those who report violations; and

New OSC powers to oversee self-regulatory organizations—SROs, as they're called—and new enforcement powers for SROs.

In terms of the status of the five-year review committee's recommendations, I would note that 20 of the 95 recommendations in the report have been addressed already. For instance, the government has approved new rules developed by the OSC or approved regulation changes to implement nine of the five-year review committee's recommendations. The OSC has already acted to address four recommendations, such as performing OSC cost-benefit analyses to assess the costs and benefits of regulation proposals. SROs and other bodies have taken action on two others. Some other recommendations do not require action. For example, the five-year review committee endorsed existing provisions and felt no change was needed in relation to five of its recommendations.

In addition, there are a number of recommendations directed to parties who can implement them without

government action. For example, there are important recommendations that the OSC limit the number of projects it takes on and that it strive for "practical if not perfect" solutions, to use the definition of the report, so that regulatory changes are more timely. These are significant recommendations that the OSC can implement on its own. In total, 35 recommendations could be implemented by the OSC or the SROs with actions developed by OSC rules.

I would like to now return to what the five-year review committee said was its major recommendation, and that is the issue of a single securities regulator. Canada's current securities regulatory framework consists of 13 sets of securities laws and 13 securities regulators, like a bit of a patchwork quilt. There are enough differences from province to province that the current system is expensive and complicated. It is an obstacle to investing in Canada and doing business across Canada.

For example, there was a press report citing a study by the Prospectors and Developers Association of Canada indicating that it would cost a junior mining company \$300,000 if it were to raise \$600,000 and do so across all 13 jurisdictions. This is not an effective and efficient way for companies to raise capital. It discourages them from approaching investors in all jurisdictions, with the result that investors in some provinces are denied investment opportunities.

It is not just in relation to raising capital that the current system creates unnecessary burdens. Public companies and securities market participants, such as securities firms, advisers and portfolio managers, among others, face similar obstacles on an ongoing basis in understanding, monitoring and complying with the different laws and dealing with the different regulators in each province and territory where they operate.

The enforcement of securities laws could suffer. There are inconsistent protections for investors. Resources now devoted to coordinating with other regulators or needlessly duplicating other regulators' activities could be better spent on regulating.

Despite the best efforts of all of our regulators, the current structure does not maximize confidence in Canada's capital markets. As a result, it is not as attractive as it could be for companies to invest or do business in Canada. We are the only industrialized country without a single securities regulator. As noted by one observer, it simply makes no sense for Canada to maintain 13 independent regulatory agencies in an economy about the size of Texas.

Many of the problems associated with Canada's current securities regulatory framework can be alleviated by one of the five-year review committee's central recommendations, and that was their first recommendation: the implementation of a single securities regulator. The committee has called this nation's lack of a single regulator "the most pressing securities regulation issue in Ontario and across Canada."

There are three different proposals to reform the securities regulatory framework now under discussion

that I will address: first, Ontario's proposal for a new provincial-territorial securities regulator; second, the Federal Wise Persons' Committee recommendation for federal, provincial and territorial governments to create a single federal regulator with federal securities laws, even if all provinces do not co-operate; and the third proposal is an interprovincial securities initiative called a passport proposal that I will explain in some detail later on.

0920

On June 24 this year, the government released Ontario's discussion paper, *Modernizing Securities Regulation in Canada*. I hope the committee has been given a copy of that. It proposes a new provincial-territorial securities regulator with a common body of laws and a single fee structure. Its mandate would reflect the needs of capital markets across Canada, while providing strong protection for investors.

In pursuing this goal, we recognize the need for flexibility to address the concerns of all provinces and territories and to ensure a strong local and regional regulatory presence. We are willing to explore creative solutions to achieve a successful outcome.

Ontario's approach has been, and continues to be, that the fundamental solution consists of three key elements, and you can see that in our proposal: We believe that in Canada we need one new regulator, one common body of securities law and one set of fees.

In developing our proposal, we have worked with ministers in other provinces through a group called the interprovincial securities initiative steering committee. I've travelled to western Canada and will actually leave tonight for another meeting with some other ministers there to discuss our proposal. We've consulted with stakeholders in Ontario.

I've noted some of the fundamental problems in the current system when companies and intermediaries have to deal with multiple regulators and multiple laws. We are addressing that problem directly. Instead of 13 different systems, we say to ourselves and to the other provinces, "Let's work to create one integrated system." It makes sense.

In my view, there are many benefits offered by our proposal. For instance, one set of clear, consistent requirements would be easier for companies and investors to understand. As a result, it would be easier and cheaper for companies to raise capital and for securities businesses to operate across Canada. This would provide more choice for investors and companies, which can only be beneficial to our economies.

There would be fewer lost financing and investment opportunities from the delays and complexities of dealing with multiple regulators and multiple laws. There would be a lower compliance burden and, therefore, a more cost-effective system in place. Resources would be freed up for companies, and lower costs would be passed on to investors. There would be improved capacity to deliver a rapid and coordinated regulatory policy response to market changes.

A single regulator could build on the existing solid base of local investigation and enforcement. A strong

local enforcement presence could deal effectively with local violations and respond locally to investor complaints. At the same time, common enforcement priorities would assist in pursuing offenders whose violations span provincial borders. A single agency would enable more effective coordination with other law enforcement bodies, regulators and prosecutors and would facilitate more comprehensive and integrated responses to securities offences.

A single regulator would also provide the consistent voice needed to positively influence regulators in other countries in the development of international securities policy initiatives.

Our proposal would treat market participants more fairly through a more cost-effective administration and fees that reflect the cost of regulation.

We believe that our model would better address concerns around attracting investment and reducing regulatory burden, while improving investor protection. However, we understand that other provinces are concerned because their businesses do not want to lose the benefit of regulatory expertise in specific sectors and they do not want to lose the responsiveness of a local regulator. We think that our proposal can accommodate those concerns and offer significant improvements; for example, by drawing on existing expertise in staffing the new agency, by giving local staff real decision-making authority and by having their decisions under the common body of law apply across Canada.

Another example of concern is that some of the smaller provinces are concerned about their revenue loss in moving to a single fee structure. We recognize that this is an issue, and we are prepared to look at a number of ways of dealing with that.

In contrast to Ontario's proposal, some other provinces support a proposal that is an arrangement to co-ordinate the work and decision-making of all provincial and territorial securities regulators that now exist. Each province would still have its own regulator and enact its own laws.

The proposed passport covers two aspects of securities regulation: Individuals and firms could do securities business in all provinces by registering with a primary regulator and complying with the laws of that regulator's province; and companies could obtain approval to issue shares in all jurisdictions by complying with the primary regulator's disclosure laws.

All substantive elements of the passport proposal are already included in existing harmonization initiatives of securities regulators. For public companies, some of these elements have been implemented already and the others are well underway. For securities firms that must register to do business with regulators, a new national registration system is at an advanced stage of development.

Securities regulators are already in the process of developing and implementing these initiatives. Indeed, some have already been implemented. Many of their benefits will be achieved regardless of whether the provinces and territories enter into a passport system.

The passport includes a willingness to consider further reforms, including steps toward a joint provincial securities agency, but no commitment to move in that direction, and that is our fundamental concern, I might say. We fundamentally believe that we in this country need to move to a single securities regulator. To date, those who advocate the passport have not indicated they are firmly committed to ultimately moving to that single regulator.

The passport proposal was consulted on by provinces in June and July 2003. Some provinces are now proposing that a memorandum of understanding—MOU—be signed to implement the passport system. I would like to table with the members of this committee today a copy of the current version of the proposed MOU for your consideration.

In our judgement, the passport approach is not the answer. It does not go far enough. The passport includes a weak commitment to harmonized law relative to Ontario's proposal. Under the passport, there would be wider scope for different regulatory approaches.

Over time, as the scope of the passport is expanded and more differences emerge, the passport does not compare favourably to a single regulator, and it risks undermining core strengths of the current system. The passport is not as seamless as a single-regulator system, because market participants still need to worry about different laws in different jurisdictions.

There are other drawbacks to the passport proposal:

It does not address the high cost of maintaining 13 separate securities regulatory authorities;

It does not adequately address the need for competitive capital markets and high standards of investor protection. Forcing investors and companies to understand and deal with differences in 13 jurisdictions does not make it attractive to invest and do business in a market the size of Canada's;

Maintaining 13 regulators and 13 sets of securities laws and adding a complex set of regulatory responsibilities perpetuates a fragmented Canadian regulatory system;

It does not improve governance and accountability. The addition of a minister's council under a passport holds promise, but the absence of a voting mechanism would limit its effectiveness; and

It does not address the need to pay fees to up to 13 regulators, even though one regulator would do most of the work under the passport.

Importantly, many Ontario-based stakeholders view the passport as forestalling needed change. It diverts resources from the real solution; that is, moving to a single regulator.

The other specific recommendation I'd like to comment on today is the issue of the appropriate structure for the OSC's adjudicative tribunal.

The five-year review committee recommends that this issue be studied by the government and by the OSC. I understand that OSC Chair David Brown plans to table a report to this committee on this issue when he appears later today.

We approach this issue with an open mind, and the government is prepared to study it as recommended by the five-year review committee. I expect that other parts of government, other agencies and stakeholders from the securities field and beyond will take a keen interest in looking at this recommendation.

In studying this issue, we believe that separating the adjudicative function from the regulator's other roles is especially relevant in looking at possible structures for a single regulator.

Another reform initiative I want to address is the uniform securities law, or USL, as it's referred to in most reports. The USL is a project of the Canadian Securities Administrators—or CSA, which you'll see in a lot of reports—which is a forum for the 13 securities regulators of Canada's provinces and territories that coordinates and harmonizes regulation of the Canadian capital markets. The objective of the USL project is to develop more uniform securities laws across Canada.

0930

Uniform securities laws across jurisdictions are a necessary component of both the passport and single-regulator models. Uniform laws across jurisdictions could work as a common base of securities laws across provinces under either the Ontario or Wise Persons' Committee single-regulator proposals. Regulators plan to release the next draft of the USL proposal in November. To date, no government has approved the proposal.

The USL project is a significant undertaking that could contribute significant improvements to the current system. We applaud the efforts of securities regulators to move in this direction.

At the same time, we believe the governments must go further. Its name notwithstanding, the USL project would not result in uniform securities legislation across Canada. As presently contemplated, the USL project would not result in one set of securities laws; what is being proposed is 13 sets of more uniform, but not identical, laws. Each province would enact its own legislation, both a uniform securities act with regulatory requirements and a more loosely harmonized act for administrative matters.

The initial draft of the proposed Uniform Securities Act was not comprehensive and included significant differences across provinces. Examples of these differences include matters that would be regulated differently across provinces. An example of that was derivatives. Important investor rights could also vary. As a result, USL differs markedly from the Ontario proposal for a single, comprehensive act that would apply across all provinces.

Many of the five-year review committee's recommendations are included in the USL draft legislation and could be considered in that context.

Apart from the USL, there is a large number of more specific initiatives underway to harmonize securities laws across provinces. Again, many of these cover issues that are also covered in the five-year review committee's recommendations. For example, there are CSA initiatives to develop national rules in specific areas.

The significance of these proposals is that many five-year review committee recommendations are already being considered by regulators across Canada; the response to the five-year review committee's report needs to be considered in a national context; and a single regulator administering a common body of law is the best way to achieve a common national approach. But until we get there, regulators should be given the opportunity to develop national rules.

In closing—on time, I think, too—I would like to reiterate that well-functioning securities markets will help drive economic prosperity and growth. Effective regulation is a key element underpinning efficient, vibrant and competitive capital markets. Regulatory reform will benefit investors, companies and intermediaries across Canada, and in Ontario particularly.

As I've outlined, there are numerous initiatives under discussion to move toward more national regulation. I believe they provide an important context for your review, as will the perspectives of the five-year committee, the OSC and other interested parties.

I particularly look forward to hearing your views on the following priority five-year review committee recommendations, the two that I've just talked about: Ontario's efforts to move to a single securities regulator and the need for the government to study whether to transfer OSC adjudicative responsibilities to a separate tribunal.

The government also would welcome your views on all your areas, obviously, but particularly those that relate to the introduction of new enforcement powers; the need for stronger mutual fund governance; the proposal to introduce civil liability for secondary market disclosure; improving the disclosure of information to investors; adding flexibility for businesses in raising capital; enhancing shareholder rights; and supplementing the remedies available to wronged investors.

The global marketplace will continue to grow and expand. Our government wants to ensure that Ontario's capital markets remain vibrant and attractive in this competitive marketplace to help our economy grow and expand.

That concludes my opening remarks. I'd be happy to entertain any questions.

The Chair: Thank you very much for your presentation. We have about 30 minutes for questions; that would be 10 minutes for each party. We'll begin with the official opposition.

Mr O'Toole: Thank you very much, Minister, for making us aware of your position on a number of important issues. I just want to put on the record that I have the greatest respect for, and confidence in, your past record as finance critic when you were in opposition. My only wish is that you were still doing it. That being said—

Hon Mr Phillips: I heard the "opposition" word in there.

Mr O'Toole: Exactly.

I don't want to be too critical; I just want to be straightforward. I know that many of the things you're

talking about are the privilege of listening to and being a very small part of when I was the parliamentary assistant to the then Minister of Finance. I understand how important it is to have trust and confidence in the capital market, certainly post-Enron or Nortel or Royal Group Technologies. These are questions that leave the small investors, who are the people I represent, uncertain and with a lack of confidence.

The two questions you put to us, both the single regulator as well as the tribunal function of the OSC, are very pertinent and have been raised by many experts besides Purdy Crawford—the issue there being who is watching whom and who is setting the rules in the marketplace.

I want to pose a couple of little questions and have a couple of questions beyond those two initials that you raised. My understanding is that in the single regulator debate, they're going to try—whether it's under the passport system—to find some way around Quebec. Technically, they won't join. It's my understanding that they are basically the problem—not that they're a problem; it's just that they see themselves as a little bit more independent, I suppose. What is the alternative to the Quebec problem or challenge in moving forward with the single regulator? What can we do? How can we move that? I'm basically in favour of simplifying the 13 jurisdictional issues, the fees, but to ever get one set of rules, I think we're still—we've been talking about it for almost a decade and we're still probably another decade away from its actually happening. You can look at the adjudicative role then. Until you get a single set of rules, you can't have any separation of the adjudication outside a provincial jurisdiction.

Hon Mr Phillips: There are couple of questions there, or maybe three questions. One is, are we 10 years away from a single regulator? I think there's a fair bit of momentum across the country on the idea of moving to a single regulator. I thought this report was a very helpful first step in that, saying, "This is our number one recommendation." There was the federal Wise Persons' Committee recommendation. Even in provinces that may be a bit reluctant to move to it now—I think there's a general recognition in most provinces that this is inevitable, that this country must move ultimately to one single regulator. So it's a question of when that happens. I think there's a fair bit of belief right across the country.

My focus in working with the other provinces has been to say to them, "What would inhibit you from saying: 'We can move to a single regulator now,' and how can we tackle those problems now? If they're going to be the same problems you will raise with me in two or three years, we haven't advanced it at all." That actually has been the discussion I've been having with other provinces.

In terms of Quebec, that perhaps is the most challenging one, partially because of a different legal code. But even there, I think there's a recognition that that could be overcome if the goodwill were there. So I guess the solution in the short term is to find whatever

other provinces are prepared to move now to work jointly on a regulator, find a model that other provinces then can feel comfortable with and move one at a time on it. Quebec may be our largest challenge, but I think all of us accept that we are very much a global trading society now and we'd better be competitive globally on this.

Mr O'Toole: I appreciate your candidness, and I sense the same thing. If the other provinces and territories could come together and operate without being in confrontation with Quebec, there may be some willingness to move forward. Is that the discussion at the second level, under the Wise Persons' Committee: Just move forward and they can either opt in or opt out and let them deal with it? Is there any will to do that? That's the shortest route to get to the single regulator. And what are the barriers? Are the barriers the fees, who has the appointments and how many appointments from each jurisdiction? What's the hang-up there?

0940

Hon Mr Phillips: A key part of our recommendation is, we're not talking about simply expanding the Ontario Securities Commission; this is the new regulator. I think it is perhaps an apprehension of this simply being the Ontario Securities Commission taking over. That's a natural feeling, I guess.

Also, in other provinces, we have to answer the question, "Would they lose influence on policy-making?" For Alberta, obviously their oil and gas sector is hugely important, and there's a concern that, "Would a single regulator appreciate the unique needs of regional industries? Second, would we have local responsiveness? Third, would it become bureaucratic?"

We've tried to answer all those questions in our proposal. I think that's the thing that's causing a little bit of inertia right now: the concern that their local needs would not be reflected in a single securities regulator.

Mr O'Toole: I just have a couple of questions that aren't directly related in the most obvious way, but they are to me. I have to qualify that I'm not near up to appropriate speed on this file. It's very complicated and very technical.

I was aware of the attempt to merge all financial regulation—and that included pension funds and co-ops and credit unions—under FSCO. FSCO kind of looks after the regulation of that. The merger of OSC and FSCO: What's the status of that?

It was my sense that the smaller capital players, like credit unions and certainly, to some extent, co-ops and then the uniqueness themselves of the pension fund managers, being the large pool of capital—are they all going to be lumped in under the one? I became less and less comfortable with the one big window to the capital market including the small and then the extensively large, like the pension fund groups, which are basically huge. They're the whole capital market, technically, in terms of moving funds. What's the status of the OSC-FSCO merger, and what do you see as the role for the small and then the very large players in that?

Hon Mr Phillips: I may get Phil to comment in a second. Our focus, our priority right now, is finding a

way to move to a single, national securities regulator. That's where our focus has been and will be over the next period of time. I do think, Phil, that Quebec has moved to this model, if I'm not mistaken, and we are watching that. They've moved to it, and so obviously we're watching that.

In answer to your question, our priority is going to be seeing if over the next little while we can't find a way to move to a form of single securities regulator.

Mr O'Toole: Again, qualifying that I'm not trained in this area, everything I read and sense when I look at the distribution of some pension assets and distribution of surpluses—pension funds are a huge black hole, in my view, and need a lot of public policy attention. They aren't something I want to throw straight into the marketplace. I think the government has a role to protect the public. As we've seen in some of the recent restructuring issues, whether it's Stelco or Air Canada, the pensions are really the issue. It's Ontario law that created many of those problems within the distribution rules of surpluses or an actuarial forecast on surplus and what the current market conditions are.

Can you give me some sense—perhaps Phil could—I still see a huge problem on the horizon in all pension plans? Whether it's General Motors—I see huge liabilities going forward on pension funds. Then if you put pension funds into the whole pool of equity capital with a bit more risk to it—I don't want my pension there.

Then you have the whole issue on pensions, in my view, of moving toward defined benefit or defined contribution plans. If that gets mixed into this whole capital market, equity, that we're talking about under this OSC review—

Hon Mr Phillips: I think my recommendation to the committee would be that we're not proposing that here. What we're proposing is the response to the Five Year Review Committee Final Report. I think my answer would be that at least as I can see, our focus is going to be on the securities side of it. The pension issue is probably almost a separate issue, with all due respect to ourselves here.

The Chair: We'll move to the NDP and Mr Prue.

Mr Michael Prue (Beaches-East York): It's good to see you here. We'll see what you do with this one.

The first question I have relates to the report that you say we're going to get this afternoon. Everybody has been waiting for it. It has never been publicly disclosed. Is it going to be publicly disclosed, or is it for our eyes only this afternoon?

Hon Mr Phillips: I assume it will be publicly disclosed this afternoon by the chair of the securities commission.

Mr Prue: Have you seen it yourself?

Hon Mr Phillips: I have, yes.

Mr Prue: We don't know what's in it. It has been kind of secret, although we've been given to understand that perhaps it has been critical of the securities review and what's going on in the OSC.

Hon Mr Phillips: By the way, it was a report that was commissioned by the securities commission, not by the

government. It was looking at whether or not the adjudicative role should be separate from the securities commission. The OSC itself said, "We'd like to get some independent advice." That's why I got a copy of it last week. I really think they should release it. It's dealing with the issue of whether that should move forward or not and in what form.

Mr Prue: I'm curious, because that's where I'm going with my next question. You asked us to comment on whether we thought they should be separated. I'd like you to comment, since you have seen the report. We haven't seen it. I'd like you to comment on where you're heading with this. Do you think that they should be separated?

Hon Mr Phillips: That always gets into the "telling us what you want to do before you hear from us" sort of thing. In our proposal that you'll see for a single securities regulator, we are not silent on that issue. We say that that should be part of the consideration of the single securities regulator. I anticipated that we would have to consider that in conjunction with other provinces when we were trying to put together this single securities regulator, and that would be part of our discussions. I think it's an issue where I'll look to your advice. We'll want to have some public comment on what's called this fairness committee's report. I don't think we, the government, or I, the minister, have made up our minds finally on it.

I think it's fair to say that there are some fairly good arguments in favour of separating some of the adjudicative functions from the securities commission. You shouldn't take that as being exactly where we're heading; it's a decision that will be made in the months ahead. But there's a fair bit of argument that suggests there's some merit in separating some of the adjudicative functions.

Mr Prue: It seems to me that that's the American experience. Although there are many things I'm critical of in that country, it appears that their securities regulations have a good deal more teeth than our own. Would that be a fair comment?

Hon Mr Phillips: I'm not sure they have a fair bit more teeth. I don't think a legal analysis of our securities regulations versus theirs would suggest there are a lot more teeth in the US.

Mr Prue: There's one aspect of this bill that I find quite glaringly inadequate, and I'd like your comment on it. That's the whole idea of restitution. The province of Manitoba allows for restitution up to \$100,000 without going through the courts. Britain has gone in that same direction. Other jurisdictions around the world have done that. This report says it only needs to be studied. Surely if it's working in other jurisdictions, we have a template. Why has this been left out of this report?

0950

Hon Mr Phillips: You could ask Mr Crawford that. In his report, he provides the rationale for why he didn't reach a final decision on that. By the way, as I recall the report, I think part of it said that we should study the Manitoba experience because, as you point out, they've

moved to—that's something that if the committee wants to give us some advice on it, I'd welcome it.

Mr Prue: We'll wait for this afternoon. We'll see what he says.

Hon Mr Phillips: Technically, Mr Crawford is on tomorrow morning.

Mr Prue: Tomorrow morning; all right. I'm going to a third—I've still got time?

The Chair: A little less than five minutes.

Mr Prue: I've got lots of time, my goodness. I just zoomed through these.

The former government refused to proclaim the regulations to extend civil liability provisions for continuous disclosure—I hope I got that right. How it appeared to the outside observer, or even to the inside observer like me the last time around, was that the corporate lobbying got pretty hot and intense. Is that continuing? Are you still getting lobbied on this? Because the recommendations are back again.

Hon Mr Phillips: Strangely enough, no, but let me answer your question. I think your real question is, what should happen on that? I think I mentioned it my remarks. The issue is helping investors' access to—I hope I get this right—civil remedies on what's called secondary market. In other words, shares have been issued for five years and there is a claim that the company is not disclosing to the investor adequately what recourse they have. I think the reason it wasn't proclaimed is because it does require some technical amendments. I think most people would agree that it couldn't be proclaimed because it wasn't workable.

I must say that, based on what I've seen to date—and again I would welcome advice from the committee—that is something we should look seriously at pursuing and moving on. I think it does represent some enhanced investor protection and in a way that can't be seen as unfair to the business community.

Mr Prue: OK. Stockbrokers in Ontario: In my view, we have been a little lax in the past in monitoring and ensuring that they are at all times dealing in the public good. We know they're dealing in their own good. Would you comment on that? Is what we're looking at today going to be able to rein in any of those people who perhaps stray a little bit too far or who have in the past? Are there going to be more constraints on them?

Hon Mr Phillips: Well, yes. For example, the mutual fund area has been one area of some comment. There are proposals in the five-year review for enhancing investor protection in mutual funds. I think the Ontario Securities Commission, as well as other regulators across the country, are looking at proposing what are called rules on enhancing investor protection in mutual funds.

What happens on rules, by the way, is that the securities commission proposes rules, publishes them and the industry has a chance to respond to them. The securities commission then can either revise them in line with the comments or not and then submit them to the government for its approval. You either deal with them in four weeks and reject them or they're deemed to be approved.

I think the answer to your question is that there are some proposals in here on the mutual fund industry that would enhance consumer protection. The issue I talked about earlier, which you raised—that is, civil liability on secondary market issues—I think that enhances consumer protection.

I think that one of the reasons a single securities regulator would be helpful is that one set of securities law across the country would enhance investor protection as well.

The Chair: We'll move to the government.

Mr Bruce Crozier (Essex): Good morning, Minister. Just one question: A lot has been said about a single securities regulator in Canada, and I happen to be one who agrees wholeheartedly with that. In installing that, there was a comment in your presentation that said there was a need to balance protection and enforcement without imposing "undue burden on business." Could you elaborate a bit on that and how that might be accomplished? I'm sure business is going to be on one side, saying, "Minimize the regulations," and small investors and large investors alike will be on the other side, saying, "Give us all the protection you can."

Hon Mr Phillips: I think I said in my opening remarks that it's this balance of how you make Ontario an attractive place to have a business but how do you protect corporate and individual investors? When I talk about undue burdens I go back to some of the comments on one regulator. Maybe "undue" is too strong a word, but certainly it is an additional burden that does not have to exist, to have 13 regulators, and not only regulators and securities acts but 13 sets of regulations. For business, it's difficult to understand those differences.

I regard that as an unnecessary burden. I think we could relieve the burden. I think we could relieve the burden on business by substantially simplifying that. With 13 securities laws, it's difficult. It's that kind of unnecessary burden that I think we could handle.

Mr John Milloy (Kitchener Centre): Thank you for your presentation, Minister. I probably share a lot of the surprise that many people have when you look at this issue from an international context and realize that Canada—which, as I think you point out in the presentation, has 2% or 3% of the market—is one of the few countries, if not the only country, in the western world without a single regulator.

We're obviously a committee that's here on behalf of the Ontario Legislature, representing the people of Ontario. You pointed out in your presentation that you've done a fair amount of work with stakeholders from Ontario, the business community. The five-year committee makes the single-regulator issue one of its primary concerns. I just wondered, what are you hearing from stakeholders? What is Bay Street's view on the single regulator and how important it is to them?

Hon Mr Phillips: I think virtually everybody I've talked to in the Ontario business community is pretty strongly supportive of the single regulator. I think it's as a result of, first, that we are so intertwined now with the

US. I always say that there is no jurisdiction in the world that has a higher percentage of its gross domestic product in international exports than Ontario does. I think 93% goes to the US. I think virtually all of our financial community has a close working relationship with particularly New York and, to a lesser extent, Washington. They rely very much on a kind of seamless relationship with the markets. They find it difficult to explain to their competitors or their business partners around the world why Canada would have 13 regulators. They're looking ahead, I think, and saying that for efficient markets, so we don't lose any more of our markets to the US, we need to move efficiently. Efficiency can be had by fewer regulators rather than more, for the cost of regulating.

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From our stakeholders, as they say in the financial community, I get strong—I think almost universal—support for a single regulator. That's why we have so much concern about the passport model, which we're really worried will simply delay a focus on this for a considerable period of time.

Mr Milloy: Some people have said the USL project and other efforts at harmonization may be enough, but what you're hearing is that's not enough in terms of moving forward?

Hon Mr Phillips: I think everybody would say, "Let's keep moving forward on harmonizing, moving as close as we can to one securities law." But ultimately the solution has to rest with a single securities regulator. That wasn't just Mr Crawford's report; the committee has probably seen at least excerpts of what's called the Wise Persons' Committee, of which that was their first strong recommendation. Whatever we do, we've got to keep looking to harmonize and make it easier. But virtually every person I've talked to in the business community in Ontario would say a single regulator is where we've got to go.

Mr Milloy: Can I just ask you a bit about the Ontario proposal? You pointed out in your answer to Mr O'Toole some of the concerns about local expertise, about, if I can put it this way, not having the OSC just expand around the whole country—what you're hearing from your provincial counterparts. You said a lot of the proposal tries to deal with these fears and anxieties. It might be worth it if we had a minute or two just to walk us through how the proposal will meet some of those.

Hon Mr Phillips: Let's take a business in Alberta. They would be very concerned, in dealing with important matters, about having to get decisions out of Toronto. So we'd need strong local offices in communities. Virtually every province has a unique industry. I think Alberta would be very worried if they thought that all oil and gas securities policy was going to be determined in Toronto. We have to assure people that key policy would be developed as close as possible to the source of the major industry. I think they worry very much that this is simply going to be the OSC expanding. That's why we've taken as much care as we can to say we're talking about a new regulatory agency.

I gave a talk to the economic club, and after that, someone asked me, "Where would the head office be?" I said, "That's not one of our three principles." The three principles we have are a single securities regulator, a single set of securities laws and a single set of fees. Everything after that, I think, we should be prepared to discuss.

Mr Milloy: And right now, you're going off on another trip. I know you've been doing some speaking engagements out west. Is the reaction in the business community—obviously there's an appetite in some pockets for this.

Hon Mr Phillips: As I said earlier, there's almost a recognition across the country that it is inevitable that we will move to a single regulator, that it's time. I think some other provinces might say, "Well, let's just keep working toward it." Ontario's position has been that if it is our number one priority from this report and the Wise Persons' Committee's number one recommendation, let's see if we can figure out what inhibits us from moving now and let's tackle that. So everywhere I go, I say to people, "What do you need to see in a proposal for you to feel comfortable that you could accept a commitment to move to a single regulator?" The challenge in the end is going to be a fine enough common trust across the country to say, "We're now prepared to do that."

The Chair: On behalf of the committee, I want to thank you for your appearance here this morning, Minister.

Hon Mr Phillips: Thank you very much.

MINISTRY OF FINANCE

The Chair: Now I call on the Ministry of Finance for the technical briefing. Please come forward.

You have time this morning for two hours of technical briefing. You may leave time for questions within those two hours if you so desire. I would ask you to identify yourselves for the purposes of Hansard.

Mr Phil Howell: Thank you, Mr Chair. My name is Phil Howell. I'm the assistant deputy minister and chief economist, office of economic policy, Ministry of Finance. I'm joined today by Colin Nickerson, a senior manager in the securities policy unit in my division.

We're pleased to have the opportunity to address you this morning. I should note that we also have other ministry staff in attendance today on whom, with the Chair's approval, we may call to answer questions, should the need arise later in the morning.

This presentation has been described as a technical briefing on the five-year committee final report. We'll take you through the committee's recommendations after providing a brief context in which to consider the report. After that, we'll be pleased to answer questions. In the spirit of this presentation, we invite questions not just on the presentation but on any aspect of the five-year review committee report that you feel will assist you in your deliberations. I should also add that we and other Ministry of Finance staff are available to answer any

questions that may arise over the coming weeks, as you compile your report.

This slide outlines our presentation. I plan to discuss the importance of Canada's capital markets, their significance for Ontario, the objectives of securities regulation, the OSC role within Ontario and in Canada, the five-year review committee recommendations, and securities regulatory reform proposals.

As Minister Phillips said earlier, well-functioning securities markets are essential to economic prosperity in Ontario and across Canada. Vibrant capital markets attract investment. They provide funds for new industries and the expansion of established industries by linking savings and investments. Countries with financial systems that efficiently channel savings into productive investments tend to experience higher economic growth rates.

As you know, governments regulate securities markets to protect investors and ensure they function in a fair and efficient manner, without imposing undue burdens on businesses. Well-regulated capital markets that achieve these objectives entice both domestic and international investors and underpin economic growth.

As the minister mentioned earlier, almost all Canadians have a stake in Canada's capital markets. Some own stocks, bonds and mutual funds directly. Many others participate in pension plans that invest in securities to earn returns to fund the payment of pension incomes to their members.

Canadian capital market activity is largely concentrated in Ontario. There is a variety of ways to measure capital market activity and where it occurs; for example, by jobs, by value of output or by the value of trading in the shares of companies based in each province. No one measure is best, but what is clear is that by any measure, Ontario's interest in a strong and vibrant capital market extends beyond our interest in the role that capital markets play in underpinning economic growth.

In Ontario, the securities industry is a vital industrial sector in its own right, and that is what makes the securities regulatory framework and its role in fostering a healthy capital market so important.

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The financial sector currently employs over 325,000 people in Ontario. As is shown on this slide, there are 62,000 people in Ontario employed in the securities industry part of that: 44,000 Ontarians work in wealth management—that is, employed in mutual fund, pension fund and financial planning activities—and about 18,000 work in the dealer/broker industry.

Within the financial sector, the securities industry has also led job creation over the past decade. It's been a significant contributor to the employment growth in the sector.

The minister mentioned that Toronto is also North America's third-largest financial centre. Significantly, financial sector job creation in Toronto has led other North American cities with large financial sectors over the past decade. Large US cities, including Boston, New York

and Chicago, lag behind Toronto over this period, which again underscores the importance of this sector as a contributor to Ontario's growth and economic prosperity.

As I mentioned earlier, Canadian securities market activity is concentrated in Ontario. About 53% of all Canadian securities sector jobs are here, while over 55% of the industry's output is generated in Ontario.

The chart on the slide shows that the Toronto Stock Exchange accounts for most new equity issuance in the country, and also most trading. The TSX is Canada's national exchange for senior equities. Bond and derivative markets are also key components of Canada's securities markets. Activity there tends to be dominated by the large banks, dealers and other institutions largely concentrated in Ontario.

Ontario-based companies account for 53% of the market capitalization of Canadian companies on the Toronto Stock Exchange. Alberta, closely followed by Quebec, and then BC, are well behind Ontario.

As you can see on the next slide, Canada, with the dark bar representing the Toronto Stock Exchange—the red bar on your slides—lags behind other major competitor nations, including Germany and the US, in attracting foreign listings. Foreign listings are less than 6% of Toronto Stock Exchange listings. However, over 200 Canadian TSX companies are interlisted on US exchanges, with over half their trading now occurring in the US. This southward migration of trading activity is not solely attributable to Canada's securities regulatory framework. Equally, however, it is clear that our regulatory framework is not a competitive advantage in attracting foreign listings and trading.

I'm now going to move on and provide you with an overview of how securities markets, firms and their employees are regulated in Ontario. Here, the government regulates securities markets to protect investors from unfair practices and fraud, foster fair and efficient capital markets, and instill confidence in the integrity of those markets. These goals are explicitly reflected in the objectives of the Ontario Securities Act and in the Ontario Securities Commission's mandate.

In designing securities regulation, the government is faced with the challenge of achieving all three objectives. This requires balancing protections for investors with the benefits for overall economic performance from efficient capital markets. Regulators must have the capacity to enforce securities laws, but in a way that does not impose an undue burden on businesses.

The OSC is a multi-function, not-for-profit crown agency. In Ontario, the OSC administers and enforces the Securities Act, the Commodity Futures Act and other securities-related legislation.

The OSC currently has a chair, two vice-chairs and eight part-time commissioners who are appointed by the Lieutenant Governor in Council. The act allows for up to 14 commissioners. Their responsibilities as commissioners include sitting on panels that hear OSC administrative enforcement proceedings, and serving as the OSC board of directors and making decisions on policy proposals

developed by staff, such as proposed rules, concept papers, policies and staff notices. As of year-end 2003, the OSC had over 350 permanent employees.

As you know, in Canada, each province and territory has its own securities regulator. The precise form varies across jurisdictions, but most have a commission model. This slide lists the 12 other securities regulators in Canada, apart from the OSC.

In Ontario and across Canada, securities regulatory authorities play a pivotal role in the regulation of securities exchanges and other securities marketplaces. For instance, in Ontario the OSC can recognize stock exchanges. Recognition allows the exchange to operate and sets the terms for doing so. In order to be recognized, an exchange must go through an extensive review process to demonstrate to the OSC's satisfaction that it has appropriate corporate governance; its fees are fair and reasonable; it will provide fair access; it will be financially viable; its systems are capable; it has proper rules in place; it is able to regulate participating securities firms and listed companies; it will discipline them if rules are broken; its enforcement proceedings will be fair; and it is able to share information with other regulators.

Securities regulators across the country have made some arrangements to streamline the regulation of exchanges. The Toronto Stock Exchange is the national exchange for senior equities, as I mentioned earlier. Its primary regulator is the OSC. The TSX Venture Exchange is the national exchange for junior equities. The Alberta and BC commissions share responsibilities for their regulation. The Montreal Exchange is the national exchange for derivatives, including stocks, bond options and futures. It is overseen by Quebec's regulatory authority.

There are smaller exchanges. The Winnipeg Commodity Exchange is a national exchange for agricultural futures and options. Finally, a newly recognized exchange, the Canadian Trading and Quotation System, is the electronic exchange for new, emerging companies' securities.

Aside from the regulators, Canada also has self-regulatory organizations, SROs, that regulate the operations and business conduct of member firms and their representatives. They include the Investment Dealers Association of Canada, IDA, which regulates investment dealers and their salespeople; Market Regulation Services Inc, an independent regulation services provider for the Toronto Stock Exchange, Canadian equity markets such as the TSX Venture Exchange and several electronic marketplaces; and the Mutual Fund Dealers Association of Canada, which regulates the sales activities of mutual fund dealers. Securities commissions regulate the actual mutual funds; for example, what they are allowed to invest in. The OSC has the power to recognize SROs. Like the OSC recognition of exchanges, the recognition of SROs sets the terms under which they are allowed to operate.

There are also other entities the OSC has the power to recognize or approve. These are clearing and settlement systems for trades in securities and investor protection

funds. Examples of these include the Canadian Depository for Securities, or CDS, which is recognized by the OSC as a clearing agency. Its responsibilities include the safe custody and movement of securities and the processing of trade transactions.

Another is the Canadian Investor Protection Fund, approved by the OSC as an investor protection fund. It provides limited coverage to investors against the bankruptcy of securities dealers.

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The OSC also has a role in regulating the Canadian Derivatives Clearing Corp, or CDCC. The CDCC is overseen by both the Ontario and Quebec securities regulators. It functions as a clearinghouse for derivatives traded on the Montreal Exchange and provides clearing and settlement services for the Winnipeg Commodity Exchange.

The federal government also plays a role in supporting the operation of capital markets and regulating markets. For example, the federal office of superintendent of financial institutions, OSFI, provides solvency regulation of federally regulated financial institutions. Provinces perform this role in respect of provincially regulated institutions. The Bank of Canada provides supervision and service to national clearing systems. It plays a pivotal role in the operation and oversight of Canadian debt markets.

The Canadian Payments Association is a national clearing and settlement system that facilitates the flow of funds between institutions. It also helps mitigate the risk to the financial system of the failure of major institutions.

I'm now going to provide you with a brief overview of the key organizations the OSC participates in that play an important role in harmonizing and coordinating regulation across jurisdictions.

One of these organizations is the Canadian Securities Administrators, or CSA, a council of Canada's 13 securities regulators that coordinates and harmonizes securities regulation. It recently established a policy coordination committee of the chairs of Canada's regulators from six of the provinces, those being BC, Alberta, Manitoba, Ontario, Quebec and Nova Scotia. The CSA has also established a small secretariat to assist in the co-ordination and management of regulatory projects that span jurisdictions. However, the CSA is only an ad hoc organization.

Another organization that the OSC participates actively with is the Joint Forum of Financial Market Regulators. The joint forum was formed by the CSA, the Canadian Council of Insurance Regulators and the Canadian Association of Pension Supervisory Authorities. It facilitates and coordinates the development of harmonized cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.

Other relevant international organizations include IOSCO, the International Organization of Securities Commissions, of which Ontario and Quebec are full members and Alberta and BC are associate members; the Council of Securities Regulators of the Americas; and the North American Securities Administrators Association.

All of those are referenced in various parts of the five-year committee's report.

As I said earlier, the OSC has the power to make binding rules that have the same force as regulations made by cabinet. OSC rules must first be published for comment. Once approved by the commission, they must be delivered to the minister. The minister may approve, reject or return the proposed rules to the OSC for further consideration within 60 days of delivery.

I also mentioned earlier that the OSC can make policies, which are essentially non-binding guidelines. They cannot be prohibitive or mandatory in nature and do not require the minister's approval. The OSC can also enter into agreements and memoranda of understanding with regulators or other jurisdictions.

Rules may be local, national or multilateral in nature. There are local rules that apply only in one province, national rules that apply in all provinces and territories and multilateral instruments that apply in some, but not all, jurisdictions. National rules contribute to more harmonized regulation. They take longer to implement because of the need to obtain approval from all Canadian jurisdictions outside Ontario. National rules and CSA co-operation make for harmonized securities regulation, but many consider this approach second-best to a single securities regulator. Recently, there has been a tendency toward more multilateral rules rather than national rules.

Let's now turn to the five-year review committee's recommendations. To summarize: Twenty recommendations have already been implemented or do not require further action; 40 require legislation, structural change—an example being changing the structure of the OSC in the adjudicative tribunal area—or government action; and 35 can be addressed by the OSC or various self-regulatory organizations.

I have attached three lists of the recommendations corresponding to these categories as appendices to the slide show accompanying this presentation. Hard copies of this presentation, if they haven't already been made available, will be made available this morning. We plan to review all the recommendations with you, specifically those that have been implemented and those that require structural change.

At this point, I want to repeat my earlier offer that we would be pleased to meet with the committee members at any time during your deliberations or answer written questions. I recognize that in the time allotted today, we cannot go into detail on many of the recommendations.

Twenty of the committee's 95 recommendations have already been addressed. These include recommendations where the OSC and government have put in place recommended new rules. They include recommendations where the OSC has taken action to address the recommended changes, and they include recommendations where the five-year review committee endorsed existing provisions; ie, there was no change needed. Appendix 1 in the slide show reviews the full list of these recommendations.

Of the 20, there were nine where the government approved new rules developed by the OSC or approved

regulation changes. These changes cover recommendations that relate to better continuous disclosure of relevant information, financial statement requirements for companies and recommendations relating to corporate governance of public companies. On these recommendations there was widespread agreement among stakeholders and by government on the need for timely action.

The next slide sets out the six recommendations already addressed by the OSC, SROs and the Canadian Institute of Chartered Accountants, CICA. They relate to rule-making, financial statement requirements and enforcement.

For five recommendations, the five-year review committee endorsed existing provisions and felt that no change was needed.

Next are the recommendations that call for legislation, structural change or government action. There are 40 recommendations in this category. Legislation or structural change account for 37 of those recommendations, and the other three can be addressed by government action without the need for legislation.

This group includes recommendations on the need for a single regulator, the structure and governance of the OSC, new OSC powers on oversight and enforcement, and significant new remedies for investors. Appendix 2 to the slide show provides a full list of these recommendations.

Before speaking on the recommendations that require legislative change, I would like to address another reform initiative that Minister Phillips commented on: the USL project. As the minister noted, this project is an initiative of the Canadian Securities Administrators, the CSA, to develop more uniform legislation across Canada. The relevance of the USL project to these recommendations is that a number of the five-year review committee's recommendations have been incorporated into the draft USL as part of the USL proposal. They've been incorporated into the draft act. The USL project provides one context for the consideration of these items.

Alternatively, their inclusion in the USL indicates at least some consensus that regulators across Canada plan to recommend them to governments. Implementing these five-year review committee recommendations would be consistent with the direction proposed by regulators in their USL proposal.

1030

Later, I'll be speaking about two reform proposals: Ontario's single reform proposal and the passport proposal. I should note at this point that the USL proposal, as currently conceived, is not comprehensive, and legislation would still differ across jurisdictions. Accordingly, the USL does not create a common body of securities legislation to the same extent as Ontario's proposal for regulatory reform under which all jurisdictions would adopt one law. However, the USL could serve as a starting point to develop that one comprehensive body of securities law that would apply across Canada.

Of the 37 recommendations that require legislation or structural change, four relate to moving to a single securities regulator or changing the OSC's structure.

The next slide's recommendations for legislative change include three that would change the structure and objectives of the Securities Act and three that involve changes to non-securities legislation—for example, changes to commercial property transfer, business incorporation and other legislation.

On the next slide, the recommendations for legislation include four that relate to changes to the Securities Act rule-making provisions, one that relates to registration requirements and four that deal with OSC oversight of self-regulatory organizations.

Continuing on, the next recommendations for legislation include three aimed at encouraging better disclosure of information to investors, including new liabilities for misleading disclosure, discussed earlier, and three that focus on improving corporate and mutual fund governance.

The next slide—I'll speak slowly and allow a few minutes for people to absorb—sets out nine recommended legislative changes to give new enforcement powers to the OSC or to the courts.

The final recommendations for legislation include three that relate to enforcement, and would give new remedies to investors.

The remaining three of the 40 recommendations in this category can be addressed by government action without the need for legislation or changes to the OSC's structure.

I would now like to briefly speak to the recommendations that can be addressed by OSC or SRO actions or by the development of new rules. While we will give you an overview of these items, I understand that the OSC will be providing materials that address these recommendations in somewhat greater detail.

There are 35 recommendations in this category, and they address matters such as improving the information disclosed to investors, enhancing the rights of investors, and stronger enforcement. Appendix 3 of the slide show has a full list of these recommendations.

Of the 35 recommendations that can be addressed by OSC or SRO actions or OSC rules, three could be addressed by the development of OSC rules to harmonize with emerging global standards and five relate to operational changes to the OSC rule-making process.

In the next group of recommendations that can be addressed by the OSC or SROs, two relate to electronic delivery of or access to information and four cover changes to registration requirements. There are two recommendations in this category that relate to SROs.

Of the recommendations on the next slide, four deal with more flexible capital-raising requirements and three are directed at improving or accelerating disclosure to investors.

Of the recommendations on the next slide, two relate to the OSC's role of regulating takeover bids and four deal with the development of rules in relation to mutual fund governance.

Concluding this category are six enforcement-related recommendations that can be addressed by OSC or SRO actions or new OSC rules.

As the minister explained during his remarks, some other provinces support a proposal that is an arrangement to coordinate the work and decision-making of all provincial and territorial securities regulators that now exist. Each province would still have its own regulator and enact its own laws. This model, often called the passport, covers two aspects of current securities regulation: First, individuals and firms could do securities business in all provinces by registering with a primary regulator and complying with the laws of that regulator's province; and second, companies could obtain approval to issue shares in all jurisdictions by complying with the primary regulator's disclosure laws.

All substantive elements of the passport proposal are included in existing harmonization initiatives of the securities regulators, primarily through the CSA. These elements include, for public companies, prospectus requirements and clearance, prospectus and registration exemptions, and continuous disclosure requirements. For securities firms, they include routine discretionary exemptions for securities firms and their representatives, categories of registration and registration requirements, and registration and routine discretionary exemptions.

For public companies, some of these elements have been implemented already and others are well underway. For securities firms that must register to do business with regulators, a new national registration system is at an advanced stage of development.

Minister Phillips commented earlier on the passport model and the significant drawbacks associated with it. Rather than recite those drawbacks again, let me reiterate the conclusions we have heard from many Ontario-based stakeholders: The passport proposal does not go far enough, it risks making the current system less effective, and it forestalls needed change—it is not seen as a credible alternative to a single regulator.

Ontario's discussion paper proposes a new provincial-territorial securities regulator with a common body of laws and a single fee structure. Its mandate would reflect the needs of capital markets across Canada, while providing strong protections for investors.

A single regulator could build on the existing solid base of local investigation and enforcement. A strong local enforcement presence could deal effectively with local violations and respond locally to investor complaints. At the same time, common enforcement priorities would assist in pursuing offenders whose violations span provincial borders. A single regulatory agency would enable more effective coordination with other law enforcement bodies, regulators and prosecutors, and would facilitate more comprehensive and integrated responses to securities offences. A single regulator also could provide the consistent voice needed to positively influence regulators in other countries in the development of international securities policy initiatives.

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The Ontario proposal addresses head-on the fundamental problem of multiple regulators and multiple sets of securities laws. The Ontario proposal presents a new

platform to deliver significant benefits over the current system, including:

- Stronger, easier-to-understand protections for investors;

- Lower compliance burdens and a more cost-effective system—lower costs for companies and lower costs that would therefore be passed on to investors;

- It is easier for companies to raise capital across Canada and for securities firms to operate in more provinces, which provides more choice for investors and companies and more competitive markets;

- Rapid, coordinated regulatory policy response to market changes;

- A stronger capacity to enforce securities laws—more effective enforcement inspires confidence in our markets; and, finally,

- A consistent Canadian voice internationally.

In conclusion to these opening remarks, I certainly recognize that you face a challenging task. Our overview of the recommendations has been comprehensive in terms of touching on them all, but necessarily brief. However, as the minister's remarks indicated this morning, and as I suspect other appearances before you will confirm, much of the interest in the five-year committee's report will be on a subset of the recommendations we have covered this morning.

Thank you for your time. Colin and I, as well as other staff as necessary, will now be pleased to answer questions.

The Chair: Thank you very much for your presentation this morning. First of all, I would say that members should have the memorandum of understanding. The clerk did get that out. That was something the minister mentioned in his comments.

We have about 28 minutes per caucus, and we'll begin with Mr Prue.

Mr Prue: I don't have 28 minutes' worth of questions, but maybe you've got 28 minutes' worth of answers.

Let's go back to where I was asking some questions of Minister Phillips. I would take it that you two, as well as he, have seen a copy of the OSC report that we're going to see later today or tomorrow.

Mr Howell: Yes. Last week we got a copy.

Mr Prue: Is what is contained in that copy reflected in the recommendations and your discussion today, or are we going to go off on a new tangent?

Mr Howell: First of all, the report was commissioned by the OSC in response to one of the recommendations in the Crawford report, which recommended that both the OSC and the government look at this issue. The OSC, in response to that recommendation, had the fairness committee struck basically to follow that recommendation, to get someone to take a look at the issue for them. It was a report that they commissioned in response to the Crawford report; they weren't directed to do it by the government.

Similarly, we on the government side have been looking at this issue and will continue to look at the issue. As

the minister indicated, I think he'll be interested in feedback from the committee on the issue.

As I understand it, Mr Brown will spend a fair bit of his statement today discussing this issue and what the report found, and I think it would be appropriate, since it's his report, that he do so. I also understand he will be tabling the report so that members can see for themselves what it says. It's not a lengthy report, and I think it very fairly lays out the issues on both sides of the question.

The five-year review report also noted that certainly there was a question of perception around the efficacy of having the commission be the policeman, prosecutor, judge and jury. The fairness committee report looked at both sides, the pros and cons, of having it split or having it as a single body, as is currently the case.

Mr Prue: I think that takes me to my next question, in terms of the separation. Minister Phillips said no decision has been made. I glean the same sort of reaction from you. But what options are we looking at? What are the options that the committee or the government has to separate these functions? Many jurisdictions around the world have them separated. Are we looking at the American examples? Are we looking at European examples? Are we looking at a made-in-Canada solution? I just need to know what options are being looked at.

Mr Howell: I think there are essentially two options: You separate it or you don't. Within those fundamental two options, there is of course a very wide array of different institutional structures.

I think it will be important, and certainly from the government perspective we'll be looking at in a broader context than just as it applies to the securities commission, because it has significant implications for any kind of adjudicative tribunal that exists. While I do not profess to be any kind of an expert in this area, it is certainly true that every country, every jurisdiction is going to develop an approach to these types of tribunals that's going to inevitably reflect local history and tradition.

It's very useful to look at other jurisdictions' experience and to take that experience into consideration when developing our own policy, but it isn't always going to be the case that circumstances are identical in other countries. So simply transplanting another model may not always be the best solution.

In respect of the US model, you may want to inquire of Mr Brown later today and get his perspective on how it works, and we'd certainly be willing to provide further written evidence. But the separation isn't as distinct as is often portrayed, in the sense that while they do have the separate tribunal function in the US, the SEC decides which cases go to the tribunal, and then the course of appeal for the judges' rulings is back to the SEC. So it's not as entirely an independent function as is often portrayed.

In response to your question, we certainly are looking at other jurisdictions' experiences. We will also take into account the whole issue in the context of what courts have determined is critical in these areas, and that's the

expertness of tribunals. That's another very important element which is discussed in the fairness committee report, led by Justice Osborne. That is going to be an important consideration for government in addressing this issue.

Implementing that kind of change is something that would take quite some time. It wouldn't happen overnight, and of course, it's important that the integrity of the adjudication system be maintained through the transition period. That's another issue addressed in the fairness committee report. I think the committee will be interested in their remarks on that score.

I hope that's answered some of the question.

Mr Prue: The water remains murky, but let's go on.

Most of what is contained in your comments, the minister's comments and the report revolves the issue of a single regulator. That seems to be the big nub of all this. We've just been given this. It says, "Draft, strictly confidential advice to ministers," which I haven't had a chance to read. What immediate steps can Ontario take to do this? We can't go it on our own. Is it sitting down with the federal government and asking them to take over an item of provincial jurisdiction? I can see the hoots and hollers across the country if we do that. I can see it breaking down like medicare or whatever else is now federally regulated but is a provincial responsibility. What immediate steps can we take to do this? Is this pie-in-the-sky stuff?

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Mr Howell: It's interesting to me, having been involved in this over the past couple of years, to just reflect on how much attitudes have changed across the country in respect of the possibility of achieving a single regulator.

A little over a year ago, the interprovincial ministers' committee released a discussion paper and hearings were held across the country in Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax to let stakeholders in different communities and other interested parties express their view.

At that point in time—and I was part of the hearing panel—my interpretation of what I was hearing was that a vast majority conceptually approved a single regulator in the sense that they saw the advantages of it. At that time, a year and a half ago, outside of Ontario—and even within Ontario, to some extent—there was very little belief on the part of market participants that a single regulator could overcome the hurdles represented by the differing interests at play in respect of the local regulators, and a view that, in that kind of environment, maybe a passport would be the best kind of solution.

In fairness, in parts of the country—and there were parts of the stakeholder group who did also say there shouldn't be a national regulator—they were often much smaller issuers or companies or entities, or on the sell side, advisers and so on, who didn't have a national presence and didn't have a bigger perspective or didn't take into account some of the other objectives or impacts of securities regulation in the context of economic performance.

What has changed over the past year and a half through a number of events, partly the publication of the Wise Persons' Committee report, partly just a lot more discussion and an elevation of this issue higher up the ladder of governments across the country in terms of issues they were considering—I think it has led to a realization that there is not only the need to move there but much more a sense that maybe there is a chance to go a little bit further.

I think, in terms of what Ontario can do, it's important that at this point we continue pushing for the single regulator, even though there are some other provinces right now that are saying maybe the passport is the best we can get. In my view—and of course ultimately this is a decision for governments to make and for political leaders to decide how much energy and effort to provide to this file in the face of a lot of other competing challenges—it makes sense to keep pushing, because there is a chance to see that evolution of opinion continue a bit further and more willingness to address some of the problems and obstacles that would have to be overcome to actually implement it, because there are a lot. There are a lot under the passport system. I mean, it's not just going to be waving a magic wand—"Oh, we've got a passport"—and it's implemented and we move forward.

So, from Ontario's perspective, we have to continue building the case and making the case for the single regulator, in large part, frankly, because it's so much in our interest just in the context of the size and role of this whole sector in our economy to keep doing so. At the staff level, obviously we have discussions with federal bureaucrats on possibilities. I talk to my colleagues across the country on this issue. It's not Ontario versus the other 12 at all in terms of the single regulator versus passport. A large number of provinces, many of them smaller provinces, see a lot of merit in having a single regulator. I think it's important to keep involving them in discussion and to build consensus.

What could Ontario do on its own? If the intent of that question is, do we sign a passport model or do we not, or what would happen if some others signed a passport and we didn't, I think the reality of the situation is that signing the passport model wouldn't really do anything for Ontario. The question would be, would signing the passport take away some of the impetus for pursuing this file, especially at the political leadership level, and, if it did, would that represent a lost opportunity? In my view, it would definitely represent a lost opportunity, just because the direction of interest in this file has evolved fairly strongly over the last year and a half toward more consideration of the single regulator. I think it's important we not lose that momentum.

Mr Prue: OK. A new line of questioning: The single biggest complaint we have received so far from small investors is that they're very disappointed we are not adopting the Manitoba model, in terms of a securities regulator having the power to order restitution. Can you tell me why this has been left out? It seems to be working in Manitoba. All we're saying is that we're going to

study it some more. Governments seem to study and study and hope things go away. The reality is that many small investors have been ripped off and probably will continue to get ripped off. The court system is cumbersome and takes years. A regulator like they have in Manitoba or in Great Britain or in other jurisdictions around the world is certainly much faster than a cumbersome court. Why are we studying some more?

Mr Howell: I think, and as the report notes, the Manitoba experience in Canada is unique. It's not just in respect of securities tribunals but other tribunal activity. It definitely differs from the tradition of areas in which regulators have moved in Canada historically. That said, I think the report points out that it is certainly worth taking a look at. While it is a move away from the tradition—and tradition obviously isn't a reason for maintaining something indefinitely—it is worth looking at, because it does break from the roles that tribunals have played in Canada to date. I think there is a body of legal precedent and so on that surrounds that. I'm certainly not a lawyer; I don't know. Colin, who is, might have another perspective on that.

Mr Colin Nickerson: I think one of the issues you have to consider in these sorts of things is that the structure of the commission is not presently set up to resolve civil disputes among private parties. So it is an important recommendation. It is one, as Mr Howell said, that there is some experience with in other jurisdictions, and it's important to look at that. But there are a number of factors that you would have to look at and study before putting that in place.

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Mr Prue: I suppose, but there are many people out there, particularly small investors, who feel they get burned by the system. They feel that the self-regulation of the system by insiders, by people who control the levers, works against them on many occasions. They feel that the Investment Dealers Association, the Mutual Fund Dealers Association—it doesn't work.

How can we change that attitude so that people who are putting their life savings into an investment feel that they're going to be treated fairly if things start to go wrong, that they're going to be able to seek redress and that the big guys aren't going to be able to control everything? That's really why I'm sitting here today. I'm trying to figure out how to do that, not to perpetuate a system that works for the big guys, the big multi-nationals, the big banks, the big investors, but for the little guys who are putting their life savings in and who deserve some protection and don't need to go for five or 10 years through the courts to get redress when things go wrong. That's what I want to hear from you. How do we do that?

Mr Nickerson: There are certainly some important recommendations throughout the committee's report on the areas of enforcement, in terms of proposed new powers for the commission, in terms of proposed new powers for the courts and how those could be accessed.

One of the recommendations, just as an example—and I won't try to go through all of them—is for the OSC to

look at using its existing powers under the act to apply to courts for restitution or compensation orders. I don't know that there have been any cases to date, but I believe it's something that's now built into the commission's considerations in terms of the options they consider when they're looking at possible enforcement cases and how they might proceed. Again, as Mr Howell has noted, Mr Brown is appearing later today and I'm sure he could speak in more detail on those or other recommendations.

There are other recommendations throughout the report that also speak to broader rights for investors. Both the minister and Mr Howell commented on the civil liability provisions. There are others throughout the report, such as measures that would broaden the ability of investors to sue insiders when there are insider trading violations, those sorts of things. So we've categorized the recommendations under a number of areas. One of those is enforcement. In terms of both actions that the OSC could pursue and actions that would require legislation to implement, there are a number of measures that I think speak to that concern and where the views of this committee would certainly be welcomed.

Mr Lorenzo Berardinetti (Scarborough Southwest): I have a question, and I don't know whether the people who are doing the technical briefing can provide an answer to this. As I've been sitting here watching the presentation today, first from the minister and then from yourselves, I've been wondering what the Americans do—the United States—in terms of regulating their system. I take it it's probably a national regulatory system. Is it run out of New York, or is it something that you've looked at?

Mr Howell: Yes, the US, the national regulators, the Securities and Exchange Commission, which is actually headquartered in Washington and has regional offices around the country, New York being the most notable and significant in many respects. There are also, in some states in the US, state-level regulators, but in the US the evolution has been the other way. It did start out as purely state-regulated in the US.

Think of this as thematic, rather than legally exactly right. But over time, I think initially during the Great Depression period, there was, after the market crashed in 1929, a sense that maybe the regulatory arrangements weren't appropriate. Over time, in the US, there has been a consolidation of the substantive regulatory power of securities into the national regulator under federal law through the Securities and Exchange Commission.

I don't believe that every state currently has a regulator left. They do exist and they are involved in dealing with some local matters there, but the substantive direction around issuing securities, the disclosure requirements, all that sort of stuff, the guts of securities regulation in the United States, is regulated by the SEC at the federal level.

Colin?

Mr Nickerson: It's also interesting, I think, and important to note that it has been evolving more in that direction. In the last number of years there have been

important new measures put in place to facilitate the access to markets across the United States for issuers or public companies that raise money nationally.

Mr Berardinetti: I go back to the example that the minister started off with, regarding the mining company that is trying to raise \$600,000. If it had to apply to all 13 jurisdictions across Canada, it would cost approximately \$300,000 to do that. In the United States, that would not be the case. I take it that there'd be one fee that would be paid, perhaps to this Securities and Exchange Commission, that they would organize that kind of set-up in terms of costs that would be expended by a company that wanted a business in maybe six or 12 or all 50 states.

Mr Howell: Yes. A lot of the costs in the Canadian case aren't necessarily just the fees that are paid to the regulators, but it's the fact that the lawyers are required to prepare prospectuses and ensure compliance. They have to look at 13 if a company is going to issue in all 13.

In fact, one of the practical consequences of our regulatory structure is that a lot of companies often decide it's just not worth the cost. So their securities aren't going to be available to investors in a number of provinces. But a lot of the cost comes from, essentially, lawyers' fees and so on, ensuring compliance with all of the jurisdictions' requirements that they're going to issue securities in. So that \$300,000 isn't just in fees that go to securities commissions.

Mr Berardinetti: The lawyers make most of the money, then.

Mr Howell: Yes, absolutely.

Mr Berardinetti: As usual. No offence to lawyers.

Mr Howell: Unless they're employed with the Ontario government.

Mr Berardinetti: I'm usually the butt of lawyer jokes, but it's great to give one out for a change.

Mr Nickerson: One of the other factors that is important to note is that all the securities regulators in Canada, through the CSA and other bodies—there are various mechanisms in place to make that process easier, both for companies that are issuing securities and for securities firms that operate across jurisdictions. But despite all that, it doesn't replicate a single regulator. It doesn't match up for either the public companies or the firms and other businesses in the industry.

Mr Berardinetti: You're saying here in Canada.

Mr Nickerson: In Canada, yes.

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Mr Berardinetti: I have one final question. Besides the United States, you have the European Community obviously coming together with the currency. Are they moving at all toward something similar that would go from one country to another? If an investor in France wanted to invest in Germany, Great Britain or Spain, would they—I take it that they're subject to separate commissions or bodies at this point.

Mr Howell: Yes. I'll ask Colin to comment on that specifically, but in Europe there has been a recognition over the past number of years that their regulatory structure needs rationalization. The fact that their econ-

omies have become more integrated speaks to moving in that direction. They have looked at a variety of ways of dealing with the fact—they all have national regulators—of harmonizing regulation across countries. In some ways, it's not unlike the challenge that we face in Canada of dealing across provinces. Of interest is that they have pursued and gone down the passport route as a way of dealing with that. In the Wise Persons' Committee background paper, there's some discussion of that experience, which hasn't been an altogether happy one. Colin, would you like to add to that?

Mr Nickerson: I think there's an interesting distinction between the system in Europe now, where you have the power of a central body—I'm not sure if it's the European Parliament or exactly how their system works—to impose some discipline in terms of ensuring that there's greater harmonization. I think the experience of trying to rely on harmonization across different jurisdictions has not proven successful. I think the recent literature would support that.

The Chair: We'll move to Mrs Jeffrey.

Mrs Linda Jeffrey (Brampton Centre): My original questions were exactly those. That was really interesting.

I had some other questions. It has been a very interesting presentation this morning. You didn't go into too much depth about the federal government's role, and that was my question. In the capital market regulation, how do you foresee the federal government's role changing if there's a single securities regulator across Canada in the future? Do you see their role changing?

Mr Howell: That's a simple question, but an awful lot of complexity lurks within it. In Canada, the jurisdictional responsibility for regulating securities is a provincial one. In his remarks earlier today, the minister made some references about fears and perceptions in other parts of the country that a single regulator would just be a super-sized OSC. I think in Canada there's a similar concern with respect to federal government involvement. There's not a compelling groundswell of opinion yet that this jurisdiction should be ceded to the federal government and have them regulate it.

I think the challenge for the provinces and the inter-provincial ministerial committee, though, is to come up with an effective provincially based single regulator system that will be enough to forestall the federal government from intervening in this jurisdiction. As part of the Wise Persons' Committee, there were legal opinions which I believe were included in the background papers—if not, they do exist and they're public—that say that the federal government does have authority to regulate securities markets.

I think what would motivate the federal government to do so, in the absence of the provinces coming up with a workable regulatory model, would be taking into consideration some of these economic development considerations we were talking about earlier. You really do need good, sound, effective capital markets to finance economic growth and prosperity, to allow new companies to raise capital, to come to the market, grow and expand, and to allow large companies to both sustain and

expand their operations. The minister talked a bit about that, and I did as well, in terms of this balance issue. There is that balance with the capital markets, for sure. It's a huge responsibility to protect investors, but at the same time we cannot lose sight of the importance of effective capital markets in promoting economic growth. I think it's that last aspect that is primarily the federal government's interest.

The reason that the Wise Persons' Committee was struck and the reason that the federal government has been getting involved is, I think, precisely because they see that the current regulatory structure is an impediment to the Canadian economy and the provincial sub-national economies performing as well as they could.

It's not the only answer. We're not going to suddenly go to 6% a year real GDP growth if we have a single regulator. But it's one of those things where it's not clear that the cost to economic potential is really offset by any benefits of having the 13 regulators.

I don't know where the federal government is going to go with this issue. They were certainly very interested in it prior to the election. It's the same finance minister now. At the officials' level, there has been no diminution in their interest in seeing something.

I think at the moment it's probably also fair to say that in some way the federal government is ambivalent on the exact design of the solution. The sense that I get, at least from dealing with officials, is that what they really want is to get rid of this regulatory overlap and the costs and so on that are affecting the efficiency of our capital markets. If there's a workable solution that the provinces could work out, I think they'd be satisfied. I don't get any sense that they want to be the national regulator.

The Chair: Mr Milloy?

Mr Milloy: If I can just ask a few questions in the spirit of the technical briefing side, not to put you on the spot for policy opinions or political opinions but just some of the background and, I guess, anticipating some of the witnesses the committee will be hearing this afternoon and tomorrow—one of them is Mr Crawford himself and the whole five-year review committee.

I wanted to ask you, in a neutral way, the process that has led to the formation of the five-year committee. This is their first report. I know there has been some criticism in the press that it has taken a long time for it to come up. When you read the report, some of the things, as you pointed out in your presentation, have been dealt with. Can you give us a bit of background as to the way in which the legislation mandates this report? I know Mr Crawford had some specific recommendations about how we could change this process. I think it's very important that we're constantly reviewing it.

Again, not wanting to put you on the spot, but are there options? I think this is one of the things the committee has to look at in terms of recommendations to the government on how we can have this continual overview of this, and is there a more efficient way?

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Mr Howell: The starting point is the act and the legislation that requires the five-year review. As we men-

tioned earlier, the committee was struck in accordance with that act, and they began their deliberations, which did take them a considerable period. I guess the timing of their final report last year, in 2003, did coincide with the end of a mandate for a government. The legislative requirement, which is also in the act, that the report be tabled with a committee of the House did not come to pass last spring, and then of course there was the election and so on, and we end up here today.

That said, the draft report and the final report had been widely circulated and, as noted earlier, action was indeed taken on a number of the recommendations, because they really did require a timely response.

One issue that arises and that the Crawford report mentioned—and I think it's something that hopefully the committee will consider—would be around the timing of the next five-year review. The committee will report this fall. The next five-year review has to be struck roughly within six months or so, I believe. It doesn't seem to make a lot of sense to have a new committee out there when the full range of recommendations and so on from this committee's report haven't yet been implemented. In that context, the Crawford report—and I'm sure Mr Crawford will have something to say on this tomorrow when he appears—is recommending that the five-year clock should start ticking with the submission of the previous five-year report. That probably makes a lot more sense in terms of effective review, and I don't think it would impair the scope of the review in doing it that way. That is one of the recommendations, and that's an issue that the committee should look at closely.

I think, though, you've raised another very good point, and that is that it is a very complex area. The Canadian and international capital markets evolve very rapidly these days. There are always new instruments appearing, there are new structures developing and so on. It's certainly important that the act is reviewed regularly and effectively, because it is critically important that the regulatory environment keep up with the evolution. I might just add in passing that the ability to do that is probably a little easier in terms of responding to market developments in the context of a single regulator rather than our current multiplicity of regulators.

Mr Nickerson: Since this was the first five-year review, I think it's probably fair to say that it's more comprehensive than some subsequent reviews may be. So in looking at how to do that, that could be a consideration to take into account.

The other point I'd note is that under another piece of legislation that the commission administers, the Commodity Futures Act, there's also a requirement to appoint a committee to conduct a five-year review of that act and that, too, is something that's on the horizon over the next few months.

Mr Milloy: We'll be back here again, then.

Do I have more time?

The Chair: Yes.

Mr Milloy: Just getting a bit of background on some of these really complex issues—we're obviously hearing from Mr Brown of the OSC this afternoon, and there's

been some interesting discussion with Mr Prue about the adjudicative side of things but, beyond that, in reading the committee report, the five-year review, there is this sense of finding a balance between the OSC and the government. We went really quickly through some of the recommendations.

Can you just take a minute to outline what the five-year committee envisions their final recommendations to be in terms of what the OSC would be responsible for, versus the government? I realize that ultimately I will see reports of the government, but just to give an overview or, I guess, get our minds around the next presentation.

Mr Howell: OK. I'm going to ask Colin to go through that. I think, though, just as a general comment on it, the recommendations have been structured by the Crawford report. The role of implementing recommendations arising out of the Crawford report don't necessarily, in many cases, reflect their decision on who should be doing something. What it reflects is the existing way that the act is written and the assignment of responsibilities under the act.

There are a lot of areas where the government of the day consciously decided in formulating the act that certain powers would be given to the OSC. Rule-making would probably be the most prominent and important example of that, but equally important are its roles in respect of oversight of various self-regulatory organizations, ensuring that their performance is up to snuff and so on in the context of recognition orders.

It's in light of that and in reflection of that that we've organized these recommendations in the way we have in the appendices, to recognize that there are many where the OSC can actually implement the recommendation. It's not in any way reducing the government oversight role or the very important and ultimate responsibility and accountability that the government has in terms of responsibility for regulating the markets.

There is a second set of recommendations where they are talking about changing powers and expanding and addressing elements of the act, and they're also covered here separately. I'll let Colin address some of those, but I just wanted to provide that kind of a perspective.

Mr Nickerson: Of course, under the current rule-making procedures that are set out under the act, there is a requirement for rules that, once finalized by the commission, are sent to the minister, and the minister has the ability within a set time period afterwards to make a decision on those. So I'm just emphasizing that there is also a government role in relation to rules.

I think the split between what the commission can do and what the government can do is an interesting question. What we've tried to do in the slides is convey to this committee the things that would require legislation or government action in order to proceed with those recommendations. Likewise, there are other items, as Mr Howell said, where the commission could proceed with them by rule. There are some categories of items that require both and an example of one of those might be mutual fund governance. So there's certainly a role for both in there.

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I think the split reflects the existing subjects on which the commission has the ability to make rules. So it would cover items such as the disclosure to investors, how securities firms and their representatives are registered under the act, all those sorts of things. It wasn't, I don't think, intended to suggest that one party restrict its focus or that this committee restrict its focus, but just for your information on what would be required to implement the recommendations.

Mr Howell: I think it might be useful if all members have a copy of the appendices now. Colin, relevant to that question, looking at appendix 3, maybe just run through some of the examples here. For example, under "Rule-making" you can see that there are five OSC actions and use that as an example of how it's appropriate for the OSC to do that. It doesn't necessarily require direct government involvement.

Mr Nickerson: Right. Again, underlying the rule-making process is that the commission has the ability to make rules that have the same force as regulations. Part of the process for doing that is that they are required to publish those proposals for comment first and get feedback from the industry; likewise, if there are any changes. Proposed policies are also published, and that's an important process in keeping securities laws in the province and across the country up to date.

There are a number of—

The Chair: I hate to interrupt, but maybe we could take a look at that particular section we're discussing now. I want to give the official opposition their opportunity to ask questions.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Thank you, Mr Howell. The Chair of Management Board this morning presented three options to restructure the regulatory framework. I say "Chair of Management Board;" he's essentially standing in for the Minister of Finance because of the conflict of interest of our Minister of Finance. The Chair of Management Board listed Ontario's proposal, the federal proposal—the Wise Persons' proposal—and the passport proposal.

Given what you have indicated—I think you used the phrase the "southward migration of trading activity," and certainly from what I've been reading here, the trend is global and cross-border. In your brief, you made mention that the recent tendency is toward multilateral rather than national rules. I assume "multilateral" refers to the more international nature of—

Mr Howell: No. Actually, in that context we were talking about the fact that the existing arrangements with the CSA—which, as I noted, is just an ad hoc entity. The regulators across the country come together on sort of a voluntary basis to look for areas of harmonization. There have been some rules that have been introduced that were only going to apply in, say, three or four provinces, as opposed to the national rules, which would apply across the country.

Mr Nickerson: I think the point there is that there are national rules in place for many important areas. An

example of that would be the information mutual funds are required to disclose to investors. The point is that in a number of recent cases—and this has been well noted in the market—there is a tendency for some provinces not to join up to those rules, or to join up to some parts of them but not others. So it makes it less than one national rule book, if I could put it that way.

Mr Barrett: I guess the question I'm asking is, is there a fourth option? With the trend to global security trading 24 hours a day across many, many borders, our people are subject to decisions and lying on prospectuses from companies like Enron that, as I understand it, are not based in Canada—Internet trading. I think my question would be, are we trying to leap this canyon in two jumps by going from our territorial system, a provincial system, to now a national system—we've been a nation for well over 100 years—when we seem to be operating in an ever-increasing global system? Is there a fourth option? We certainly had a fourth option with respect to international trade; I think of NAFTA and the WTO. Or do we do this 10 years from now?

Mr Howell: Yes. There's no question that the regulatory environment often responds rather than leads developments in whatever area it regulates, not just in securities. And it's certainly the case that there is more and more international activity with the globalization of capital markets. There are a whole bunch of issues that arise, and it's becoming increasingly clear among those players in the market that the existing national regulatory structures don't always meet the needs of dealing with the regulatory requirements in this kind of market.

It's that recognition that has led international securities regulatory associations to form, like IOSCO and so on. They're a little more organized than the CSA, in terms of having a more defined mandate and rules of operation. That's the forum in which some of those concerns are being addressed, and it may well turn out, over the course of the evolution of capital markets, that somewhere down the road the solution is going to be some kind of single regulator, or at least fewer international regulators of securities markets. A lot of the issues that would have to be addressed and overcome in that kind of historical evolution are precisely the things we're grappling with in the case of Canada right now, in terms of the interprovincial situation moving to a single regulator. There's definitely a parallel.

That said, the parts of the market that are operating internationally and the types of players in those markets don't represent the full spectrum of capital market participants. While it is becoming increasingly easy for some smaller companies to raise capital abroad, there's a whole range of both regulatory objectives on the part of the government and practical capital-raising activities on the part of smaller companies that are just going to preclude them from being in those markets. That area of activity still has to be regulated. In the context of the Canadian market, the question we've been asking and that the minister has been asking is, "Does it make sense for us to be regulating some of those smaller market and

smaller participant requirements in the context of 13 regulators, or would it make more sense to do it in the context of one?" recognizing that in a fundamental sense, the issues of cost of raising capital and so on, the issues of protecting investors and so on, are not all that different across the jurisdictions, and yet the existence of the 13 regulators does apply here, both additional costs and regulatory effectiveness.

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Mr Barrett: What is Quebec's position on this?

Mr Howell: Again, it's interesting. Quebec's position has evolved a lot over the past year. We made reference earlier to a national registration database. When that initiative was originally proposed, Quebec wanted no part of it. They have now decided—they've come to that game late and are now actively engaged in trying to catch up and get up to speed to form this so-called national registration database, which would be an electronic way of tracking registrations of securities salespeople, advisers and so on.

I think they're coming to the party this year—the minister mentioned there's sort of an overall reform of their regulatory sector. That and a new awareness of the fact that there is just a compelling economic interest that focused them getting more engaged with the rest of the Canadian capital market have led them, I think, to change their view.

They are certainly not there, for two reasons, on the single regulator. One is a purely technical one that has to do with the distinction between the common law base of the legal systems in nine provinces and the—what's the correct term, Colin?

Mr Nickerson: The civil code.

Mr Howell:—the civil code basis of the Quebec legal system. That means that, technically speaking, there will never be an identical law in the other nine provinces and Quebec. However, that's a technical distinction. The spirit: Everything could be harmonized in terms of practices and so on to effectively have a single law underlying a national regulator. That said, Quebec is clearly not at the moment at the point where they would sign on to even dealing with the technical, legal underpinnings to a single regulator.

They are, however, in favour of signing on to the passport proposal, largely because one of the main things that the passport proposal is focused on is registration, and since they are now coming as participants to the national registration database, harmonizing the aspects of their law that apply to that issue is necessary. They've already made the decision, so their support of the passport on a political basis, their support of the passport, isn't really substantive to them. They've already made that decision.

Mr Barrett: I see the Bourse de Montréal is in a trading alliance with Chicago, Singapore and Paris. Are we seeing other alliances like this that have relevance for any thought of going a national route with the Toronto Stock Exchange, assuming it's working on alliances?

Mr Howell: Well, the Montreal Exchange is the national exchange now for derivatives trading, and so

their alliance with Chicago is along the same lines as the TSX looking for alliances with London and other European exchanges.

Mr Nickerson: I think you're correct that the TSX is pursuing those sorts of things. We could certainly provide some further information on that if that were a topic of interest.

Mr Barrett: If, for example, the single federal framework were adopted, to what extent would Ontario have need for the Commodity Futures Act? At present, our Minister of Finance has been removed from his responsibility for that act and several other acts. Would these acts essentially be redundant and come under the federal Ministry of Finance?

Mr Howell: It would depend on what the federal government did, but presumably, if there was going to be a federal securities regulator, there'd be a federal securities act that would be passed, and then, in that respect, that would override other acts. They'd also have to deal with futures exchanges and derivatives, regulations and so on as well in their act.

Mr Nickerson: Contrary to Mr Howell's earlier assertion, I'm not a practising lawyer, so I wanted to dispel that; I'm here in a policy role.

There are different ways that the different provinces regulate derivatives. There are separate acts in a couple of the provinces. In some of the other provinces they regulate them under their securities act. So there are a couple of ways to do it that one would assume if the federal government proceeded with putting in place a single regulator, it would be a comprehensive approach.

The Chair: We'll move to Mr O'Toole.

Mr O'Toole: I have just a couple of questions. How much time have I got?

Interjection.

Mr Barrett: Just one last question: Come what may, we would still have a Toronto Stock Exchange. We would continue to have a Toronto Stock Exchange Act, the Toronto Futures Exchange Act—

Mr Nickerson: I guess that's a question that would have to be looked at. The Toronto Stock Exchange Act, as I understand it, was put in place to set up the Toronto Stock Exchange some years ago. The exchange, of course, has demutualized and converted essentially to a private, for-profit corporation. So the act is a sort of vestige of that and a number of provisions that were repealed there. I don't know what would be necessary to keep in place. Likewise, the Toronto Futures Exchange is no longer active and has not been since sometime after the exchanges realigned and Montreal assumed responsibility as the national exchange for derivatives.

Mr O'Toole: I'd just like to put on the record that in most of the submissions and stuff I've read, hardly anyone disputes the fact of a national regulator. It's been talked about probably for 10 years, roughly; certainly in the last five, I'm quite well aware of.

Mr Howell: It seems to go in cycles.

Mr O'Toole: Well, it will never go away. In fact, I think Mr Barrett has established that the response to that

will be a sort of international regulator, and eventually, kind of under the United Nations or whoever will run the world, a single-currency world sort of thing. So he has pretty much anticipated that.

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I want to move to a slightly different aspect: the perceived role conflict of the Ontario Securities Commission. I think you or one of the submissions here this morning said the role is to foster the capital market, to make sure that there's good liquidity and access to capital to foster economic growth. It makes very good sense to have a streamlined, seamless series of rules to enter the marketplace. The competing force here is investor protection. If you want quick access to capital to grow the economy, and you're going to get that capital ultimately from some little person who's saving through their pension or trying to use something different than a savings plan—they're going to go into a mutual fund or go to some other financial planner or someone to give them some advice on how to make wealth. There are several thousand books published daily on how we can all get rich by buying real estate or whatever, so that conflict is where I'm coming from.

I read a couple of things, and I've had lots of calls from interested people involved—just individuals. SIPA is a group I've met with over the years. They've been brought to my attention by small investors. It's in that role of conflict where—I looked at other jurisdictions, like the SEC. They do have a separation. Other jurisdictions are looking at it. In a further outreach of that, some of them are looking for some restitution process as well to strengthen the rule-making, adjudicative functions.

Without trying to tell politicians what to do, what's your own view? That's really the cut and thrust of Purdy Crawford and the Wise Persons' Committee: separating it. It's this bifurcation that they all mention in technical legal terms. Bifurcation is that division; that's really essential. What's your sense of that, given the context of the little person today—not you; me, because I don't make big money—putting all their trust not in a savings account but in a mutual fund or some other investment instrument and having such a mirage? You and your lawyer friend would have difficulty explaining much of what Purdy Crawford's rules are. The simple investor reading a prospectus is completely buzzed. He's going by some financial planner who has community college or something. I'm not trying to belittle them. Then on top of that, the lawyers who write it don't write it in layman's terms. I've tried to read it, and I took the securities courses. The little person today who's investing on-line doesn't stand much of a chance in this marketplace.

I go back to simple things that I've learned: no pain, no gain; no risk, no gain; all those terms. So the person who's acting on the instinct of selling for a commission generally is—there are all kinds of cases here cited by SIPA about people who have taken it right through to the courts, have had decisions in their favour and then lost at the court of appeal.

What's your sense of separation? That's the fundamental issue here. As far as the national regulator, I have no problem. It's the separation of the functions and the perceived conflict.

Mr Howell: First of all, I suspect this is an issue that you're going to have the opportunity to hear from a number of people on, beginning with Mr Brown. You'll hear from Mr Crawford on it tomorrow. I suspect that it will come up in a number of the other submissions; at least, I know it's on the agendas of a number of other groups which I know are going to be appearing before the committee.

As I was saying earlier—and it's clearly laid out in the Crawford report and in other areas. When you've had a chance later today to look through the fairness committee's report, it's very well articulated there—the government has to address the issue from the context of having these multiple and perhaps conflicting objectives in terms of regulating the markets. Because of the role that capital markets play in supporting economic development and growth and ultimately, therefore, helping people become better off and making living standards higher, government can't ignore the functioning of capital markets in its approach to regulation.

At the same time, governments clearly have a responsibility in terms of ensuring that adequate protections are in place and that within the whole panoply of regulators and the regulatory structure that's created there is effective oversight of the participants and that individuals' and investors' interests are adequately protected. There are a wide variety of ways in which that can happen. It can be the regulator itself directly overseeing the activities and registration of individuals who can participate in the market. It can be devolved to self-regulatory organizations with oversight from the regulator and ultimate oversight from the government. The question of how it gets set up has to be looked at and addressed in the context of effectiveness in terms of protecting investors and the cost of doing it.

At the same time, government doesn't have the luxury of just deciding, "All we're going to do is protect investors," or "All we're going to do is just let capital markets run wild and not care about what the impact is on people." The trick in devising the regulatory structure is to balance those.

With specific reference to the adjudicative rule of the tribunal, I guess there are two issues. One is: Is there any sort of legal reason why people's rights are somehow being violated by having that kind of process in place? Then I guess the second question is: If it's legally sound, how do you deal with the fact that there is still likely to be a perception that somehow there's a conflict there?

I think what Justice Osborne's report focused on—as I read it, anyway—is recognizing that there's nothing legally wrong with the way it's set up. The Supreme Court has brought down rulings that support that interpretation. But there is clearly a perception out there—it's the same thing that Mr Crawford says in his report.

The question for governments, then, is going to be in deciding where we go. Is overcoming that perception

worth the cost of setting up the separate adjudicative tribunal; will there be enough work for that tribunal to do for them to retain what the courts refer to as a level of expertise or expertness that allows their judgments to be rendered and accepted? There's a whole range of issues like that that will have to be confronted in terms of making that decision.

As the minister mentioned earlier—and we certainly at the officials' level had this discussion a lot with our colleagues across the country—we're open to addressing that issue, not just because it's in the five-year report and recommended, but also, in the context of a single regulator, it might be very relevant to use that opportunity in establishing that to come to grips with this whole question. The reason it's significant at a national level is that in Canada there would probably be enough work to enable a separate tribunal to exist on a full-time basis.

Mr O'Toole: That's kind of where I was going. I think the two go together in terms of—

The Chair: We have less than a minute.

Mr O'Toole:—having the two functions, and they have the investor protection plan, which is, I believe, a federal plan, if I'm not mistaken. Isn't there an investor protection plan?

Mr Howell: CIPF.

Mr O'Toole: I need the short answer. Is there or is there not?

Mr Nickerson: It's an industry-sponsored fund to protect against dealer bankruptcies.

Mr O'Toole: Are the rules set up federally or provincially or by the industry?

Mr Howell: By the industry.

Mr O'Toole: But when you do separate, it'll become much more complicated if you have a national and then you have the judicial function, which is difficult if not impossible to operate.

The Chair: Thank you for your presentation this morning and appearing before the committee. We appreciate it very much.

Just for the committee's knowledge, if you care to leave your materials in the room, it will be secured over the lunch hour. We will recess for lunch and reconvene at 1 o'clock.

The committee recessed from 1200 to 1301.

The Chair: The standing committee on finance and economic affairs will please come to order. I would ask before we start that persons turn off their electronic devices as we begin this afternoon.

We had very good compliance from our presenters this morning; they tell me; they used their microphones very well. But they said that some of the committee members were not speaking into their mikes, so if you would speak into your microphones, that would be appreciated.

Our first order of business is to allow the opposition critics to have 10 minutes to comment. We'll begin with the official opposition.

Mr O'Toole: Mr Barrett and I will be sharing the 10 minutes. Thank you very much, Chair.

I found this morning both educational and interesting in a general sense. It's understandable that there's much interest in these public hearings with respect to the issue of making sure we have a response to the discussion about the rights of the regulator and the rights of the consumer. In that respect, I was pleased that the ministry briefing notes did take some time to go through the Crawford report and break down the three sections that would take legislative initiatives.

But ultimately, at a constituency level, as a person who is elected by constituents, not by corporations—essentially, we're there to represent the interests of our constituents, many of whom are consumers in this particular marketplace—I'm most interested this afternoon to hear from David Brown, the chair of the Ontario Securities Commission, and his response to the input to this date, some of which has been from other jurisdictions. Also, more recently, I'm even more interested in Justice Coulter Osborne's report, which none of us committee members, I hope, have seen. I wish we had seen it, but we haven't seen it, to my understanding. But ministry officials have seen it, and it appears at this time—because I have not seen the report—that there would be some recognition of the importance of separating the adjudicative tribunal functions.

All of this, in my view, goes back to trying to precipitate confidence in the marketplace for the small and medium-sized investor, and that would afford them some sort of protection, as in the case that has been cited with the United Kingdom, as well as Manitoba, where there is some attempt at protection of the investor and looking at restitution issues, which again would be very complicated. I suppose that expense would ultimately be borne by the investor.

But the conflicting roles that I see built into the mandate of the OSC as it has evolved under the Securities Act since the early 1990s, and more recently in 1994, when the courts decided—I think it was Justice Daniels's report in 1994 that gave them rule-making authority. In 1997, it became a self-funding crown agency. It has become a much more complex marketplace for the investor in many forums, both electronically and also with emerging corporations trying to find capital and finding innovative ways to approach the marketplace.

So I would also like to be on the record as being in favour of a system, a single regulatory agency, if that's possible, federally. As Mr Barrett mentioned in one of his questions this morning, it's moving toward a kind of North American marketplace, if not a world marketplace.

I think the first step that drew some support from me—without having fully read the memorandum of understanding for the passport system, it might be a first good step if you can find some harmony amongst rule-making and, potentially, judicial reviews.

As the opposition, much of this is similar to the initiatives we have taken. In fact, if you look at the changes to securities law, it was to build confidence in the capital markets. The Purdy Crawford review was certainly an important part of that five-year review, and I would hope

that review is ongoing, that it never ceases. Because once we do get a national regulator, we could potentially be talking, as we are today, about having a North American marketplace. New York, Chicago and other large trading—we see that the Ontario marketplace is, I believe, sixth in the world, if I have my notes correct, after Tokyo and other places.

In a general sense, it's a very technical area; it's a very complex area. It's leveraged on one side with well-informed marketplace participants, be they lawyers, brokers or mutual fund dealers, and on the other hand is the consumer—unless it's an institutional investor like a pension fund, the Ontario teachers' pension fund or some of the other large or public sector funds. The due diligence occurs on those pension fund managers to pick the appropriate portfolio that fits their degree of risk tolerance. In that context, it's a very complex topic. I hope we're able to make substantive non-political contributions in the interest of protecting our constituents.

I'll let Mr Barrett continue.

Mr Barrett: In this review of the Ontario Securities Act, again, we all chat with constituents. People are concerned about where to park their money—those who haven't maxed out their credit. We're in a time of relatively low interest rates—that may change—but there is a reluctance or an anxiety for many people to get involved, or get involved again, in the stock market or in this business.

It's my impression that 99% of the people we represent don't know what fees they're paying to the salesmen or the managers of these various funds. It's something I find difficult to track down, if you have a fairly balanced portfolio. It's not like driving by a gas station and in most cases you can find out what the price of gas is. Most of us have a fair idea of what a real estate dealer gets in commission.

Enron is certainly something that comes up. I was chatting with a fellow yesterday, my banker. He spent six months researching Enron and invested a considerable amount of money. He had no idea that they were lying on that prospectus, and he has paid a price for that. In fact, his employer, that particular bank, is paying a price, and we will all pay a price as lawsuits continue and as we find that banks either have to accrue for us less interest or charge higher fees.

Insider trading: This has been going on for many, many years. The Ontario government has addressed the issue of insider trading in the past and has to continue, and it goes far beyond the Martha Stewart issues. I think it's very important that this government remain vigilant with respect to some of the fraudulent practices.

Conflict of interest is another very important issue. To that end, the presentation this morning was from the Chair of Management Board, not from the Minister of Finance, and I think we know that story.

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The annual report of the Ontario Securities Commission—I just wish to quote in part. There has been some very positive action in recent times: "Ontario con-

tinues to lead the way in promoting investor confidence. Legislation introduced by the provincial government has increased sanctions for wrongdoing and given us the authority to introduce measures that will ensure corporate financial statements mean what they appear to mean and auditors are responsible to shareholders."

I know the financial penalties have been increased. I think you can get a jail term of five years less a day. I fully support that approach.

I find the Crawford report is well done and very comprehensive.

I do have questions about the federal Wise Persons' Committee report. We all have a copy of this. They've pretty well made up their minds; there's no question about that. I find it is less than balanced in the promotion of a single federal regulator. It is actually a fairly good sales document promoting change. That is fine. This particular government was elected on the mantra of "Choose change." The government I was part of was actually elected in 1995 on a slogan of "Common sense for a change."

I would just draw your attention to the table of contents. On one page we have a number of subtitles under the various chapters. The words "change", "changed" and "changing" come up 12 different times in those titles. I suggest that in this report, given the complexity of this issue, in one sense there's a bit more sizzle here than steak. Obviously I feel that this committee needs much more information before we get stampeded into handing everything over to the federal government.

The Chair: We'll move to the NDP. Mr Prue, you have 10 minutes.

Mr Prue: This is a five-year review. I have to tell some of the people that I looked forward to this with some trepidation. This is a huge, daunting task. The reams of paper and the trees that were cut down so each one of us could have hundreds and thousands of pages of paper, some of which makes very little sense to a layperson—but it's a five-year review we have to go through. We have to go through it because the world is getting more complex.

There are people out there whom we read about in the papers almost every day, certainly in the United States, if not in Canada, who take this system and are able to mould it, use it, make fortunes off it and cheat people and do all kinds of stuff. The system itself allows for it. We need to protect, if anyone, the small investor. We've already heard some of the examples: Enron, Arthur Andersen, Martha Stewart. These are American examples; I know they're not Canadian or Ontario ones. Every day, I'm sure there are people out there who are using insider information and not getting caught. Every day there are problems with the securities system.

I do not believe the regulations in the United States, Canada, Europe or other places fully protect the small investor. They cannot possibly know all of the rules and regulations. They cannot possibly know all the information that's being traded or closely guarded. They are there with faith, but they oftentimes get burned.

I looked down the list of deputations for this particular committee, and it's instructive to me. Of all the committees I've been on in the past three years, almost all the deputants belong to an organization; if you look down the list, they all get 20 minutes because they belong to an organization. That's the norm. You get the odd individual here and there who comes and makes a deputation. In this particular grouping there are 16 individuals—16 individuals—which is the most I have ever seen, who are coming forward of their own volition to tell their story about the Ontario Securities Commission and what they think needs to be done.

Without having heard any of them, and I don't know any of the names, quite frankly—or I think I know one or two of the names—I think you're going to hear a lot about them having been being burned; you're going to hear about them being dissatisfied with the current system and how it did not work for them. I might be wrong, but I think that's what I'm going to hear over the next two days. We need to listen to them. We need to protect them. We need to change the laws so these small investors don't get burned, that if they're taking their entire life savings, they're going to be protected by a government or a government agency or a government-regulated agency.

I don't think we're going to hear from the big corporations—I'd be surprised if we do—or the banks or all of those people, who have legions of lawyers and accountants and other people who can look after their own interests very well, thank you very much. I don't think they need our help, and I don't think we ought to be offering any more than they already have. What we have here and what we continue to have and that, I'm sure, no matter what we do, will continue to exist, will be a very closed shop, people who go from brokerage houses to the Ontario Securities Commission, and from the Ontario Securities Commission back to the brokerage houses, back to the law offices, back to all of those places, because there are probably a couple of thousand people who circulate in between all of those jobs, going from place to place to place, and the system works for them. I would be less than honest with you if I thought that they will be coming forward to us, asking for changes that are in any way going to impede their ability to make money. That's what they're in the game for, that's what they do, and the system works fine for them. We need to look to make sure that the system works for every investor, particularly those who are not part of those inner workings.

I looked at what is being proposed. The key recommendation is that we go to a national securities regulator. I want to tell you, I think that's a great idea, but I also think we are very naive if we think this committee is going to have anything to do with actually getting a national securities regulator. This will be taken over, I suppose, by the federal government, if and when it ever happens. If we had not gotten medicare all those years ago through the federal government, then today, if somebody were to start out and try to do it, I would doubt very much that it would actually happen, because the provinces, including our own, have become very con-

scious of their jurisdiction and are very reluctant to give it up, either our own province or any of the others. So although it's a good idea, I don't think we should be wasting too much time except to say that we support it.

We need to look at some of the other things that are important. The first one is the investigative versus the adjudicative role. We need to make sure the adjudication is separate and apart from the investigations body. I do not believe that anyone seeking redress or justice can go to an investigator and ask the investigator to make the same decision. If the investigator investigates or looks at it—it's just like going to a court. You want an independent body; you want an independent judge. You don't want the policeman who arrested you to be the judge as well. It just doesn't work. So we have to look at ways of strengthening the adjudicative branch, of separating it, looking at the other jurisdictions, the American ones, the European ones, the British ones, and making sure we develop the best possible system.

Last but not least, I'm very disappointed to see that the whole experience in Manitoba and in England about having restitution available in a very simple way that ordinary investors can get their hands on without going to the extraordinary lengths of lawyers and courts and years of delay, as they have now, has been put on the shelf—recommendation 75—to study further. It really, really does not need study, in my view. The system appears to be working in another province. We could change it to make sure it is more adapted to the Ontario experience, which is larger, which has more investors, which has a greater capacity. We could change it, but I think the experience is a good one, because ordinary people who have been wronged by the system can get their money and can get it back fast. They can have someone who will listen to them. They don't have to be mired down for months and years in the court system with the expense of judges and accountants and everything else that goes with it. I would hope the committee will look at this and see that recommendation 75 is extremely weak. If we did one thing in this committee, I would suggest that we should change recommendation 75 and say, "We've had enough study. We need action. We need an opportunity for ordinary people to be protected." The best example we have at this stage is the British one, followed closely by the Manitoba one. We should be doing that.

So two things: the investigative versus the adjudicative role—we need to have strong adjudication—and second, that we have to have an opportunity for ordinary people to get restitution without having to go through the courts. If we only do two things on this committee, those should be the two, and we should not be wasting a lot of time looking at a national securities regulator, which we may not see—I hope we do—in our lifetime. Those would be my comments.

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ONTARIO SECURITIES COMMISSION

The Chair: The committee is slightly ahead of schedule. Are representatives of the Ontario Securities Com-

mission in the room, and if so, would you mind coming forward at this time?

Good afternoon. You have an hour for your presentation. You may leave time within that hour for questions from committee members. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr David Brown: Thank you, Chair. I am David Brown.

Ms Susan Wolburgh Jenah: I am Susan Wolburgh Jenah, vice-chair.

Mr Brown: Chair, thank you for this opportunity to speak to you and respond to your questions relating to the five-year review committee. As you have heard, I am joined today by Susan Wolburgh Jenah, one of the two vice-chairs of the Ontario Securities Commission. I am David Brown, the chair of the Ontario Securities Commission. In her previous role as general counsel to the commission, Ms Jenah served as a member of the five-year review committee, whose report is under review today.

The OSC is pleased to participate in the five-year review process and the opportunity to take a periodic look at the laws, rules, structures and operational policies that characterize securities regulation in this province. The review process, which was mandated under the Securities Act in 1994, provides something very valuable: a recurring, proactive opportunity to take a close look at a system that is functioning well, to determine ways in which it could be made to function even better.

No public institution can hope to rest on its laurels. Emerging issues and needs often prompt new ways of doing things. Our response is to pursue a fundamental principle: The OSC is always prepared to embrace change in order to meet change.

We're committed to seeking the widest participation in the regulatory process. Our priorities include accountability and transparency. We proactively seek critical review. That includes maintaining 16 standing advisory committees with broad stakeholder representation, and commissioning ad hoc task forces that include a wide range of market participants.

Before discussing some of the issues raised by the five-year review committee, let me start by providing some background on the commission itself.

We're proud of the organization we have in place and of the way it advances the commission's statutory mandate, which, as you know, is to provide protection to investors from unfair, improper and fraudulent practices, plus to foster fair and efficient capital markets and, most important, confidence in those markets.

We've also made it a priority to raise the level of investor education and fraud awareness. We've worked with government organizations and community groups to broaden our audience and increase our direct contact with Ontario investors.

A particular focus has been communicating an anti-fraud message to Ontario seniors. We were one of the first securities regulators in North America to launch an

investor education fund, which has provided groundbreaking research and education tools.

To carry out its mandate, the OSC is organized into 10 core branches. We seek to recruit and retain staff who have the skills and expertise to carry out individual responsibilities as well as to work together as a team in areas of common concern.

I'm happy to remind you that in Ontario, securities regulation places no demands on the public purse. The commission receives its funding from market participants based on their participation in the market and their use of our services.

The expertise and quality of our regulatory regime has been recognized internationally. The OSC is often called upon to play lead roles in international bodies such as the International Organization of Securities Commissions, or IOSCO, and spearhead projects by regulators around the world. We work closely with our counterparts in other provinces and with the US SEC, the Financial Services Authority in the UK and regulatory bodies in other countries, in order to bring best practices to Ontario and Canada while exporting our own knowledge and expertise.

At the same time, we've been successful in improving our enforcement capabilities here at home. As business grows in complexity, so does the scope for fraud and other market manipulation.

In the past five years, the OSC has poured considerably more resources into enforcement while co-operating closely with law enforcement agencies such as the RCMP, the OPP and the crown. In the last fiscal year, for example, we opened 216 new enforcement cases. In recent years, about half of the cases investigated have resulted in regulatory action or were directed to other regulators or law enforcement agencies.

The three most frequent types of securities violations investigated over the past few years have been misconduct by market registrants; illegal insider trading, or tipping; and trading of securities without registration.

Recent investments in enforcement have also made the OSC more efficient and more effective, cutting our average length of an investigation by one third, from 20 months to 13 months, while reducing the average time involved in bringing a case to trial from 15 months to 11 months.

These statistics are encouraging, but they don't fully reflect the impact of our enforcement activities. They don't show the number of times our enforcement branch has been able to prevent harmful conduct by identifying dubious operations in their early stages. Our enforcement branch is one of the first in North America to establish an intelligence team, and it has already registered successes in stopping activities that could have harmed investors.

In all of our activities, we recognize that laurels are not something to rest on; they're something to build on. Many of the challenges the commission faces are in a constant state of flux. We are committed to change; to be proactive, not just reactive; and to welcome innovative ideas and approaches.

That leads me back to the report of the five-year review committee.

First, I want to express my appreciation to the members of the review committee. The OSC was pleased to support their work and we were impressed by the breadth of their recommendations and the depth of the thinking behind them.

The review committee's recommendations covered legislation, rules, and structural and operational issues. I'd like to discuss a few which are priorities for the commission and for the integrity of capital markets in Ontario.

It makes sense to begin with the recommendation that the committee identified as the "most pressing securities regulation issue in Ontario and across Canada"—what is called the "urgent need for a single Canadian securities regulator."

I don't have to dwell on this issue, as the Premier and Minister Phillips have both done an excellent job of articulating the reasons why Canada needs a single securities regulator. I will emphasize just one point: the competitive disadvantage of being out of step with the world.

Ours is the only advanced national economy in the world that does not have a national securities regulator and one of only two countries among more than 100 who are members of IOSCO. Can we really afford this competitive disadvantage?

Canada's current system of 13 regulators with 13 sets of rules and regulations is costly, cumbersome and carries the risk of marginalizing Canadian interests in an increasingly global marketplace where capital flows across national borders with few restrictions.

We estimate that approximately 10% of our operating budget is consumed trying to make this fragmented system work. We do it because we have to, but issuers, registrants and investors have options: They can go elsewhere. They don't need to be here.

In an effort to address this fragmentation problem, the OSC has worked closely with our fellow provincial and territorial securities regulators on the uniform securities legislation (USL) project. We have contributed considerable resources to this significant initiative which the CSA launched more than two years ago with the objective of developing uniform securities legislation. But it's important to keep in mind that, while USL is a positive step forward, it is no permanent substitute for a single regulator. Canada simply cannot afford the duplication and overlap of 13 separate regulators when every country Canada competes with has only one.

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About two thirds of the report's 95 recommendations are directed to the OSC and the Canadian administrators. About one third call for legislative or structural reform, study or other action by the Legislature or the government. Recommendations in both categories have been implemented or are in progress. I'm tabling a document today that outlines the status of review committee recommendations.

Of those requiring legislative action, we would urge that this committee consider on a priority basis endorsing recommendations in four critical areas.

First, we urgently need the proclamation of amendments to the Securities Act, which were enacted in December 2002. The amendments would create a regime for statutory civil liability for secondary market disclosure. This is recommendation number 40 at page 133 of the commission report. It would also make it an offence under the statute to commit fraud and market manipulation and misrepresentation. This is referred to on pages 242 to 246 of the report.

Unlike investors in the United States, Ontario investors face significant hurdles in suing corporations and their insiders for false or misleading disclosure. The proposed civil remedies will provide investors with a means to seek redress, plus encourage compliance by corporations and others with their obligations of transparency. The prohibitions against fraud, market manipulation and misrepresentation will enable us as regulators to seek quasi-criminal sanctions against those who would undertake that activity in our markets. We'll get the tools we need to help protect investors in this province. These measures will give us means to fulfill an important element of our statutory mandate, and that is protecting investors.

Second, we need better tools and flexibility to achieve more effective co-operation with other Canadian securities regulators. The ultimate goal of a single regulator for Canada will obviously take some time. In the meantime, market participants are demanding that we work together with our CSA counterparts to achieve greater harmonization of regulatory requirements. To do that, we need some legislative steps, including statutory amendments to facilitate interjurisdictional delegation of decision-making where a common approach to issues has been agreed upon. That's contained in recommendation number 2 at page 41.

Third, we need the ability to reduce the regulatory burden. In particular, I'm referring to the review committee's recommendation to facilitate quick responses to new situations that have not been expressly provided for in existing rules. Too often, market participants are caught in a regulatory time warp. They want to do something that the rule makers never intended to prevent, or even anticipated. But it takes nine to 18 months to change a rule. In the meantime, market participants need to come back to us each and every time for an exemption. Other Canadian jurisdictions are able to issue blanket exemptions. The review committee's recommendation to introduce similar authority in Ontario would eliminate a regulatory burden and enhance our ability to take a common CSA approach to issues as they arise. That's recommendation 21 at page 85.

Fourth, there is a clear need to modernize Ontario's commercial law dealing with the transfer and pledging of securities. Canadian law in this area has fallen behind the US and the European Union, and we need to catch up. All of the Canadian securities regulators endorse the

Uniform Securities Transfer Act, as it's called, and we urge the committee to recommend that Ontario play a leadership role with respect to this important legislation to better serve Ontario investors. That's recommendation 5 at page 50.

There's one other issue that the review committee identified that I would like to comment on, and that is the recommendation that the structure of the commission as a multifunctional agency be given further consideration. Unlike most of the other areas covered by the report, the review committee made no recommendation on this one. However, it did call for further thought and study.

I fully support this reassessment. It is essential that the structure of the commission be periodically reconsidered to ensure that it is the most suitable and effective for the commission to discharge its mandate. Our current structure and any alternatives under consideration should be measured against the benchmark of our mandate, and that is to provide protection to investors and to foster fair and efficient capital markets and confidence in our capital markets.

Under the commission's current integrated structure, which is codified in our governing legislation, the commission performs multiple functions such as developing policy, conducting investigations, prosecuting cases and adjudicating cases that come before it. Contrast this with a bifurcated model in which the adjudicative function of the commission would be hived off to a separate, independent tribunal that has no involvement in policy-making, investigations or prosecutions.

In this context, I am tabling materials that we commissioned to help inform the debate around this issue. These materials include a report by a committee chaired by the Honourable Coulter A. Osborne and legal opinions by the law firms of Torys LLP and McCarthy Tétrault. I'd like to walk through the advantages and disadvantages of each model. Let me start with the two principal disadvantages of our current integrated model.

First, it allows for a greater risk of perception of bias on the part of the commissioners exercising their adjudicative function as a result of the commission's involvement in policy-making and oversight of our enforcement branch. This issue is extensively discussed in the report the OSC commissioned from the committee chaired by Coulter Osborne. In particular, it's noteworthy that the report focuses on the perception of bias as opposed to actual bias, reporting that, "Critics of the existing structure contend that the perception of bias works to erode the credibility of the commission."

The commission is concerned about the issues raised because we take perceptions very seriously, even if they are only held in some quarters. This perception problem is inherent in the integrated model for administrative agencies. Candidly, no one has figured out a way to eliminate it entirely. But we have many safeguards in place, and we're always looking for ways to enhance them.

The second disadvantage results from one of these safeguards: the separation of the commissioners from the

day-to-day decision-making of the enforcement branch. Currently the commission fulfills its responsibility to oversee enforcement activities without becoming involved in case- or fact-specific decisions about investigations and prosecutions of individual cases. This practice is in effect for obvious reasons, as some of the commissioners may end up sitting on the panel that adjudicates the matter. As chair, I get involved in investigations and prosecution decisions and therefore do not sit on any hearing panels. These are tough decisions, and I'd welcome the input of my fellow commissioners. A bifurcated model would allow this input because the matter would end up being heard by a different set of people.

Knowing that these are disadvantages in the current model, why then did the Legislature nonetheless decide that this model is best for Ontario? Indeed, why is this the chosen model for so many regulatory and administrative agencies across Canada, even beyond the realm of securities regulation? I think the answer is because its main benefit is the enhanced expertise that is inherent in it. By hearing and deciding real cases, the commissioners gain a hands-on experience that informs their development of policy and, by developing policy, commissioners gain an insight and understanding of the public interest underlying that policy that informs their decisions when adjudicating cases. At the same time, by offering potential commission members the prospect of a broader, more challenging range of functions, the pool of candidates from which the government must draw expands, as does the range of expertise, skills and knowledge.

It's important to keep in mind that when commissioners adjudicate cases, they're not just deciding whether someone broke a rule. The Securities Act requires that the commission exercise its sanctioning powers in the public interest. For example, when suspending a dealer or when restricting a person from acting as a director of a public company or when imposing a fine or when ordering a person to hand over the profit they earned from their misdeeds, the commission must make a determination that such orders are necessary in the broader public interest. The policy development process gives commissioners insight into the public interest, insight that is invaluable in the adjudication process.

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As well, the integrated model reflects the roles and responsibilities of an administrative agency or regulator as distinct from a court. Administrative agencies were developed to fulfill roles that were very different from and not appropriate to the courts, often resolving issues in accordance with a statutory mandate to pursue or protect the public interest. In connection with such a mandate, they may be empowered to formulate policy or make rules that have the force of law.

The Supreme Court of Canada has not only endorsed the legality of the integrated model of regulation in Canada, but our highest court has also recognized, in the words of Chief Justice McLachlin, "the overlapping of investigative, prosecutorial and adjudicative functions in

a single agency is frequently necessary for [an administrative agency] to effectively perform its intended role.”

That leads me to the other side of the balance sheet: the disadvantages of moving to a bifurcated model. What will have been lost? First and foremost, the expertise that the commission gains precisely from performing those multiple functions. The Supreme Court of Canada recently commented on the impact that hiving off the adjudicative function may have on the expertise of a tribunal. In the recent Monsanto decision, in reviewing a decision of the Ontario financial services tribunal, the court said, “Involvement in policy development will be an important consideration in evaluating a tribunal’s expertise.”

The challenge for our elected officials in reassessing the commission’s structure is to balance the advantages and disadvantages of different models and to determine whether the current structure continues to best serve Ontario investors and participants in Ontario’s capital markets.

One of the reasons the issue is being revisited now is that the commission recently acquired new powers to assess administrative penalties of up to \$1 million and to order people to disgorge profits earned from their misdeeds. The Osborne report raised the question of whether these new powers changed the legal environment for an integrated commission. We thought that this was an important question, so we asked the law firm of Torys LLP to examine the issue. The Torys opinion addressed the issue of apprehension of bias and concluded that the commission’s new powers do not detract from the legality of the integrated model and do not compromise the right to a hearing before an impartial tribunal.

The Osborne report also raised the issue of whether the structure of the OSC properly allows the commission to exercise its statutory oversight responsibilities, particularly with regard to enforcement. As I mentioned, the commissioners do not get involved in day-to-day decisions on investigations and prosecutions. Does this still pass the test in today’s corporate governance environment, and does it satisfy our statutory oversight responsibilities as a board under the legislation?

We asked the law firm of McCarthy Tétrault for their legal opinion on this key issue. Their conclusion? The OSC’s structure and internal processes do not in any way conflict with the commission’s responsibility to oversee enforcement matters.

Clearly, the best structure for the commission is complex. It requires consideration of the broader Canadian context, under which the integrated structure is the predominant model, not only for securities regulatory agencies but in other areas as well. In that regard, it’s worth noting that in 1987, Alberta tried restructuring its securities commission into two entities. It found that it didn’t work, and it ultimately reverted to a structure which is identical to ours.

I should note that I believe a stronger case could be made for a separate tribunal if we were to establish a single securities regulator for Canada. Such a tribunal

would likely have a significant caseload with national reach, enabling it to attract and build a base of qualified experts. The tribunal would also have the flexibility to conduct their hearings wherever in Canada it is appropriate.

As I said at the outset of my remarks, the OSC is always prepared to embrace change in order to meet change. As a regulator of financial markets in a period of rapid transformation, we can do no less. We are presented here with a unique opportunity that is unavailable to most securities regulators around the world. Here, on a periodic basis, opinion leaders from our markets and our investor community are asked to review our practices and procedures and our legislative underpinning and to make recommendations for improvement. These are important initiatives for Ontario’s capital markets and for the whole of Canada. Indeed, the world is watching.

I have provided to the clerk of the committee the documents I referred to in my remarks. I look forward to members’ questions. Indeed, should the committee find it useful, I would be happy to return at the end of your hearings to answer further questions, as other issues relevant to securities regulation in this province may emerge during your deliberations. Thank you.

The Chair: Thank you very much. Did you have any comment to make?

Ms Wolburgh Jenah: Not at this time.

The Chair: OK. Thank you very much.

I appreciate your coming to the microphone a bit ahead of schedule, and I thank you on behalf of the committee. We have about 11 minutes per party, and we’ll begin with the official opposition and Mr O’Toole.

Mr O’Toole: Thank you for your brief presentation on a very complex topic. You’ve given us some context here.

As I said in my opening comments, it’s the perception sometimes that is the reality. It’s that perception in the public that we’re trying to deal with, technically; that is, the perception that justice must not only be done, but must be seen to be done. It’s in that role of the combined functions of providing a strong, effective, transparent, accountable capital market environment with regulations and oversight, and the conflicting role of the adjudicative function.

During your remarks, I had the chance to look at some of the recommendations in the Coulter Osborne report and, in the conclusion there, the recommendations, they clearly make the case that they should be separated. That’s my understanding. It’s the same function, basically, and the Wise Persons’ Committee said the same thing, as you say.

I guess it’s easy to say, when I look at the overall development and growing complexity of that capital market—which you admirably do the job of, and have gained considerable respect, I might say, just from the press etc and your own presentation—it’s growing more and more complex: the rules, the regulatory authority, larger national and international implications. It seems to me that you’ve made a conclusion to yourself that you

see, with Justice McLachlin's observation, that there are strengths to retaining the current relationships. It would appear that you perhaps use that as your justification for leaving the current model as it is, with some enhanced separation under the same organization. Is that a fair assumption?

Mr Brown: As I tried to indicate in my opening remarks, Mr O'Toole, I'm of two minds. As the chief executive officer of the commission, perception is very important to me, and I agree with you that perception can, if it's not addressed, undermine the credibility of the organization. But I also understand what Chief Justice McLachlin is saying—and, as you say, moving into a world that is becoming more and more complex. The integrated model seems to be serving those complexities quite well, because it allows the people who are being called upon to regulate the markets, and the regulatory process includes not only setting policies but investigating breaches of the laws and then bringing people to account. I think what Chief Justice McLachlin is saying is that here's a way of making sure we get all of the expertise where we need it.

Having said that, I guess my position comes down to, if we can conceive of a different model that would serve the investing public and our markets better than the one we have, I think we should go for it. But until we can find that model, until we've had a chance to test the various aspects of that model, we are better to leave the current structure as it is

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Mr O'Toole: If I may follow up on that, I've read somewhere—I was trying to find out where I read it. But if cases go to civil action or go beyond your own judicial process, the commercial list courts deal with them. These are people who are highly involved and familiar with this, as opposed to us, the great unwashed, who know nothing about it. We trust these self-regulatory organizations. Would they not be a competent, independent group where they're not dealing with rule-making and responding to market conditions, although they'd be reading other court decisions in other jurisdictions and precedent decisions?

I look at the Bre-X case and your own legal team's response to Felderhof, where you felt the court wasn't able to deal with it. Could you respond?

Mr Brown: Yes. There are a variety of concepts there. Let me see if I can take them one at a time.

Under our statute, we can bring cases to court and we can seek quasi-criminal penalties, and we do that quite often. The Bre-X/Felderhof case is a good case in point. That goes to the provincial court. That does not go to the part of the courts where the commercial list is located.

Every decision by our commission is subject to an automatic right of appeal. So anyone who comes to our commission and is concerned either that there has been bias or that they haven't received a fair hearing has an automatic right of appeal. Again, that doesn't go to the commercial list; that goes to the Divisional Court. So in our current system, you don't get into the commercial list automatically.

Mr O'Toole: That's really the point I was trying to make.

Mr Brown: But certainly I think that is an alternative that could be considered. I think the Legislature, in looking at whether all of these cases should just go to the court system, should examine or bear in mind the reasons an integrated administrative tribunal was set up in the first place and why there are so many of them across the country with specific expertise. I think it's a recognition that the investors, the investing public and others who come before the system have a better chance of having a proper result if they're dealing with an expert tribunal. But it's an alternative that I think should be considered.

Mr Barrett: I thank you, Mr Brown and Ms Wolburg Jenah.

Clearly, the collapse of Enron has shaken the little guy and institutional investors. As a result of the lying and misrepresentation that went on there, the US government enacted, and I don't know whether this is the right pronouncement, the Sarbanes-Oxley Act of 2002—sweeping changes. They've certainly given a lot of work to the New York Stock Exchange and NASDAQ and their SEC.

Our response to that, I understand, is a work in progress. The required amendments for us to raise the bar or to get up to speed on this have not been inculcated into the Securities Act. For example, for a breach of the act—and I may have misspoken earlier—would someone get five years less a day, maximum penalty, or is that not implemented yet?

Mr Brown: That's implemented. If I could, the Sarbanes-Oxley statute, as you say, was a very broad-reaching, comprehensive statute. It was passed by the federal government in the United States and it dealt with securities law, with employment law, with corporate law, with tax law. It was a very broad-ranging statute. We, in our constitutional system in Canada, don't have that.

What we've been able to do in Ontario, though, is implement many of the provisions that have been implemented in Sarbanes-Oxley. As you may know, some of the recommendations of the five-year review committee have already been implemented and statutory amendments made. That enabled us to implement here in Canada, in a way that is appropriate for Canada, three of the most important provisions of Sarbanes-Oxley. Those are already in place. We also, working with other agencies, including the accounting bodies, were able to implement here in Canada new conflict-of-interest rules for accountants that are now in place. We set up the Canadian Public Accountability Board, which was also a key feature of Sarbanes-Oxley. In the US they call it the Public Company Accounting Oversight Board, I think. PCAOB is the acronym that it goes by. We've set that up here in Canada, and I've been the chair of the governing committee that has set that up. So we've been able to bring into Canada many of the changes that have been instituted in the United States. There are still some to go, and a few of them are dependent on some of the recommendations that are made in this committee.

I've been down to New York. I've met with officials of the stock exchange. I deal with the officials of the SEC

on a regular basis. I think they're comfortable that we're on the right track to establishing investor protection regimes here in Canada that are as robust as in the United States.

Mr Barrett: When we say "here in Canada," does that also refer to Quebec or British Columbia or Winnipeg?

Mr Brown: Of the initiatives that I've talked about, they're virtually all completely across the country. There's one that British Columbia has done something different on. But, yes, it includes Quebec. It includes the entire country.

Mr Barrett: A federal body does that?

Mr Brown: No. We have been able to coordinate with the securities commissions in the other provinces to do national instruments. It takes a little more time, but we've been able in those circumstances to get national instruments that apply right across the country.

The Chair: We'll move to the NDP.

Mr Prue: First of all a comment: I noticed with some alarm—perhaps I shouldn't have—that there were 216 cases opened in the last fiscal year. That works out to just under one a day. So once a day you find somebody out there tweaking the system, cheating the system, taking advantage of the system, to the detriment of people who are investing.

Mr Brown: We probably have many more than those that are brought to our attention. We work our way through and investigate, take the investigations to various stages. I think what I said was that of those 216, typically we find that about half of those cases, when we get through our investigation, result in proceedings. So your point is still valid, but it's probably somewhere around 100 rather than 216.

Mr Prue: OK. So it's only about two a week.

Mr Brown: I should tell you that this isn't the context, though, of capital markets where billions of dollars are traded on a daily basis. We have a very large economy here in Ontario. The stakes are high, and there are very sophisticated players who are dealing not only with sophisticated players but with unsophisticated players. I don't find the statistics surprising.

Mr Prue: I've just had an opportunity here to read part of Coulter Osborne's report. The very last line of the report is dated 5 March 2004. Could you tell me, why has it been released today, five and a half months after its submission to you? Why the secrecy?

Mr Brown: There's been no secrecy at all. We made it clear that we would make the report public. We made it clear that we commissioned the report to assist us in responding to the recommendations of the five-year review committee, but also to assist this committee once it was formed and given its mandate to address those issues.

We also identified in the report the legal issues that I referred to in my prepared remarks that the Osborne committee did not address. We thought it would be important for us in understanding these issues, but ultimately, important for you if we were to get some legal answers to those. So we commissioned the legal opinions that have been tabled today, and those were just delivered in the

last few days. We've delivered a complete package today, but always with the publicly announced intention of making it public.

Mr Prue: The Osborne report is diametrically opposed to the legal opinion of Torys LLP. I'm looking at pages 33 and 34 of the Osborne report, in which he quite clearly sets out the necessity of bifurcation of the functions and says in just a couple of sentences, talking about the bifurcation, "However, this cannot be accomplished where the commissioners are inhibited from doing so by the existence of their adjudicative functions." Then he goes on to state, "While the Supreme Court of Canada has affirmed that there can be no complaint at law about the apprehension of bias where legislation has mingled the adjudicative, enforcement and policy-making functions, the perception exists in fact. In our view, more 'tweaking' will do little to alleviate the problem."

And then, finally, he goes on to say: "Nor does the evidence support the need for the cross-pollination between the commissioners' adjudicative and non-adjudicative functions. The role of policy in sanction proceedings is limited. In any event, if it is to play any role, it should be identified in advance."

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He goes on to state on page 34 that there is no reason to believe adjudicators should not be separate and apart and distinct, and if you paid them enough money, you would get decent people to do it. That seems to be quite at odds. Although I do realize you played both sides and you did talk about both sides, the argument you're making on the one side is at complete variance to Coulter Osborne's recommendation.

Mr Brown: I don't think that's right at all. First of all, the Torys opinion addresses the legal questions. The Osborne report addresses the perception. They make it very clear they don't think there's a legal problem. We wanted to make it absolutely certain in our minds that there was no legal problem, and that's what the Torys opinion set out to do.

The Torys opinion, unfortunately, also had the advantage of two and maybe three Supreme Court of Canada decisions that were decided just in the last few months, after the Osborne report came out.

The Osborne report is a response to the perception issue. As I've said, the perception issue is an important one. The Osborne report makes a recommendation as to how to solve the perception issue, how to make it go away, and I think it's a fair response to the perception issue.

Having said that, I have said the perception issue has been around for many years. It involves virtually all of the integrated administrative agencies across the country that are set up similar to ours. I think legislatures have traditionally looked at that perception issue but have looked at the other advantages and have chosen the side of an integrated tribunal. I think there's the recognition that there are safeguards that can be put in place—and I think we have them in place—to manage the perception,

but it can't be made to go away completely, I don't think, without moving to the type of model Coulter Osborne is recommending.

Mr Prue: Do you disagree with his recommendation that we go to that type of model?

Mr Brown: I don't disagree with the recommendation that that is the model that will resolve the perception issue. What he was not asked to do, and what his committee did not attempt to explore is, what is the other side of the balance? What I'm saying is that it's fortunate, in a sense, that you, as legislators, have to look at all sides of it. I think examining the other side of it is very important before a decision is made.

Mr Prue: But the reason—and I go right back to the very first page of his report. He writes: "In fulfilling our mandate, we proceeded on the basis that, absent clear and convincing evidence, we would not recommend structural change."

So he was asked not to recommend structural change unless he thought it was absolutely necessary. And when he did, on the basis of perception, there is still some equivocating here of whether or not it's a good idea. That's what I'm hearing.

Mr Brown: He's recommending structural change as a way to dispel the perception. You're absolutely right.

The Chair: We'll move to the government and Ms Matthews.

Ms Deborah Matthews (London North Centre): I have to say I'm feeling a bit confused here, only because we just received this report from Coulter Osborne when you began your presentation. So I was paying attention to what you were saying, and then I happened to flip to Coulter Osborne's conclusion and thought that maybe I was reading something that had been put there by mistake, because it's so contrary to what you were saying.

For the benefit of people—the two or three people—who might be watching on television and the more in this room, I would just like to read the first couple of paragraphs of Coulter Osborne's conclusion.

Like Mr Prue, I just want to remind people that he does, in his introduction, state: "We proceeded on the basis that, absent clear and convincing evidence, we would not recommend structural change."

So he went in with a bias against making this recommendation. He doesn't mince any words: "We would strongly advise the commission to take steps to separate its adjudicative function from the commission. The arguments supported by the evidence in favour of this separation are persuasive, indeed overwhelming."

It's very strong language. They "received considerable expert opinion," and there's a list of the people they spoke to. "A substantial preponderance of that evidence supports our central recommendation—that the commission should do what is required to be done to establish" a separate tribunal.

To me, it looks like what happened is that he came back, you didn't like it and you went and found another opinion that was supportive of keeping it within the OSC. So I guess I would just like to ask you to maybe explain

what the process was and why you are so opposed to this very clear recommendation from a highly regarded person?

Mr Brown: First of all, let me make a few things clear, and perhaps you were reading when I was responding to some of the questions. From my point of view, I'm attracted to both sides of this argument. As I've said, as the CEO, perception is very important to us. It's very important to our ability to effectively pursue our mandate. So I do think there are some attractive features to the recommendation in this report.

The opinions that were sought were not to counter the report of the Osborne committee. The two opinions were to clarify some legal questions that were left hanging in the balance in the Osborne committee. Our commissioners, in the course of all of this examination of their role, still have to sit on tribunals and still have to make decisions and judgments. So we wanted to be certain that the legal underpinning of the commission in its current form was solid.

That's what those two opinions were attempting to do. We were pretty certain in our own minds it was solid, but we thought it would be responsible for us to have outside parties tell us that. So the legal opinions are just that. They confirm that the legal foundation for what we're doing is solid.

The Osborne committee went around and talked to people, mostly market participants; I suspect, from the list of names, a fairly high percentage of people who either have been called before our tribunal in an enforcement matter or perhaps are in an industry where they might be called. So they were seeking their opinion evidence as to whether or not this perception is there and, if so, how could the perception go away. They concluded that the only really effective way to counter that perception would be to split the tribunal.

As I said in my prepared remarks, and as we've tried to analyze it ourselves, there are many, many integrated tribunals in Canada. With the exception of the province of Quebec, which doesn't have a commission so they needed a tribunal, all of the other securities regulators that have commissions have separate tribunals. All of the professional societies—there are many boards where the tribunal is part of the administrative agency. The suggestion here would go against that, and it may well be, as I've said, the proper way to go, but I think the advantages that were perceived when these other tribunals, including our own, were set up should be factored into the decision as to whether to separate the tribunal.

Ms Matthews: Did you mention in your comments that you thought we should have a national body before we split up the adjudicative function?

Mr Brown: I didn't say that, but I did say that I think there is a stronger argument for a separate tribunal for a national body. I should explain; I didn't explain it very well in my remarks. I asked our registrar, who is the registrar of the tribunal, just how many days our commissioner sat in hearings for the last 12 months, and it works out to only 39 days in total. That's actually a number of half days but in total days, it was 39 days.

One of my fears, given the load that we currently have before the tribunal—and again to explain, we don't bring all of our cases to the tribunal. We take a substantial number of them to the courts, so it's only the cases that come to the tribunal that are part of this determination. The Osborne report doesn't recommend that we split the tribunal for all of those cases, so it's only a portion of the ones that end up at the tribunal. In the past year, we have had only 39 hearing days. For someone to be a member of one of those tribunals, they have to give up all of their associations where they might have a conflict. So you need people who have expertise but who are willing to give up their affiliations.

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My fear is that with a hearing load of only 39 hearing days, you're not going to get the kinds of people whom theoretically you would want to get on the tribunal. I think for a national tribunal you'd have a much better chance, because it would be responsible for hearing cases across the entire country. It would be a much greater hearing load, and they'd be matters of national interest. I think you'd have a better chance of getting the expertise on such a tribunal for a national body.

Ms Matthews: I have tremendous confidence in the ability of Minister Phillips to pull together this national regulatory body. However, it might take him a little while.

The Chair: We'll move to Mr Milloy.

Mr Milloy: Do I have any time?

The Chair: Yes, you do. You have about four minutes.

Mr Milloy: Great. I'll be direct and talk about rule-making and some of the comments you made today and reading Mr Crawford's report. I'm just wondering if I can share very candidly with you—this isn't some trick question—the two sides that are going around in my head on rule-making.

On one hand, you very legitimately have government oversight of rule-making. You know much better than I do about the publication of rules, the chance for comment and the chance for ministerial oversight. At the same time I realize—and you went into this a little bit in your presentation—how quickly the markets are moving, everything from technology to some of the international pressures, and that you need to be able to respond to investors and those selling securities in a very quick and rapid way. I guess trying to find that balance is always the key.

When I look at Mr Crawford's report on rule-making, where he wants to give the OSC the so-called basket rule-making, which to my understanding is that a lot of the residual rule-making which now is with the government would then go to the OSC—the idea of publishing the names of those who comment to the minister during the minister's review period, giving the OSC more scope to determine when it republishes changes; I'm just going through the list. You talked about exemption. My natural reaction is, and maybe I'm on this side of the table, is that not in a sense broadening the OSC's powers and maybe tipping the balance a bit?

The question is, if a rule needs to be published, looked at, examined and discussed, with something like an exemption order, which in a sense you could argue has the same effect as a rule, it allows a company to operate in a new milieu. In a sense, you're getting around the government with that.

I'm not trying to be belligerent. I'm just saying, as someone looking at this and as a committee looking at this, I think we're both torn in both ways.

Mr Brown: Let me try to answer, and then I might ask Ms Wolburgh Jenah, who was on the committee, to respond as well.

From my perspective, the people the minister appointed to that committee were skeptics. They were as skeptical a group as I would want to confront as the chair of the OSC. They were market participants. There was an investor advocate on the group. That group took it upon itself to criss-cross the province and talk to as many people as they could to determine what we needed to do to make the system work more efficiently.

I accept their recommendations. I think that they thought long and hard about the recommendations you have just referred to. They know that when some of the rule-making authority was originally put in place, these were issues that were debated, and they know that some of them were close calls one way or the other. I accept their recommendations as being well thought out and tested very carefully among market participants who would have some very strong views.

Susan?

Ms Wolburgh Jenah: The questions you raise are really very good ones. Putting my five-year review committee member hat on, these were issues—as David said, we went into the process with questions about ourselves. When the commission first got rule-making authority there were many who were concerned about the way in which the commission would exercise that rule-making authority. There were many people who brought a great deal of balance to the actual amendments to the act to ensure that there was appropriate oversight from the government, to ensure that there was a proper public comment process that was enshrined. The process has worked very well.

I think what has happened in the intervening period is that those who were critics of giving the commission more flexibility in its rule-making in terms of—for example, the enumerated list of heads of authority versus an approach that would recognize that sometimes you just can't contemplate every permutation of where you might want to make a rule six months from now, and giving the commission some kind of basket clause consistent with its purposes and principles and mandate would not be such a bad thing. So the critics are coming back to the five-year review committee in response to our initial interim report—that is, the original critics of a broader approach—and saying, "We've had some experience with this. We're not that concerned about this issue anymore."

Having said that, and I now put my commission hat on, the truth is that this is not a priority recommendation.

We support all of the recommendations that the five-year review committee made. As you know from Mr Brown's remarks this afternoon, these aren't the areas that we would focus on as being key, with one exception. The reason I say that is because the government has been very responsive. When we've come back to the government to say, "We don't have the rule-making authority we need to get on with the job in the area of audit committees; here is what we need," the government has responded, "Here is the rule-making authority to allow you to do the job." That's the alternative approach. It is working. It's not quite as flexible or as quick a process as having a basket provision, which many of our CSA colleagues do have in their legislation, but we can live with it and we can work with it, and there are other sides to this issue.

The one area that you did raise where I think we do feel quite strongly, and it was a priority recommendation in Mr Brown's remarks this afternoon, is the area of blanket exemptions. There are some—and you will most likely be hearing from some people who hold this view—who view this as really a way of undermining the rule-making process because it involves, in effect, as you pointed out, Mr O'Toole, giving a group or class of participants an ability to rely on the exemption. That is not the intention. The intention of a blanket exemption approach is to be more flexible. It's to be able to respond quicker. I can tell you that what happens currently is that you can require 10 market participants to come in and make ad hoc individual applications for exemptive relief, which we can then grant, or you can give us the flexibility to be able to say, "If 10 of you all need this relief and it makes sense to give it to all of you, then let's do it without having to put market participants through the time, the cost and the administrative inconvenience of having to apply." That's what this exemption is about.

The Chair: Thank you for your presentation before the committee today. We appreciate it.

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INVESTMENT DEALERS ASSOCIATION OF CANADA

The Chair: I would call on the Investment Dealers Association of Canada. Good afternoon, and thank you for being here in the room slightly ahead of schedule. I would ask you to identify yourself for the purposes of Hansard. You have 20 minutes for your presentation and may allow time for questions, if you so desire, within that 20 minutes.

Mr Joseph Oliver: Thank you, Mr Chairman. I'll use about half of the time allotted for presentation and half for questions.

My name is Joe Oliver, and I'm the president and CEO of the Investment Dealers Association of Canada, the national self-regulatory organization and representative of the securities industry. We've made several presentations to the five-year review committee and appreciate the opportunity to discuss its final recommendations with you today.

The IDA mandate is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets, an objective shared with the Ontario Securities Commission. As a national self-regulatory organization, or SRO, we regulate the activities of 208 investment dealers and their nearly 25,000 registered employees in terms of capital adequacy and business conduct. One hundred and twenty-nine of our member firms are headquartered here in Ontario, with 2,100 branches and 16,000 registrants. From 2001 to June of this year, IDA staff conducted 567 on-site financial and sales compliance examinations.

This afternoon, I would like to discuss three issues that were raised by the committee: enforcement, regulatory reform and consumer redress.

Enforcement is at the core of sound regulation and goes to the heart of investor confidence. As the five-year committee stated, "The need for securities regulators to have meaningful and effective enforcement powers has never been greater."

At the IDA, we assess complaints from investors and regulatory agencies, undertake investigations, prosecute cases and hold hearings across Canada.

Our national platform allows us to work effectively on joint investigations with the provincial securities commissions, with domestic criminal law enforcement agencies like the RCMP's IMET, and with international SROs and regulators like the National Association of Securities Dealers and the SEC.

In the past three and a half years, we successfully completed 165 prosecutions, imposing fines on firms and individuals totalling over \$12 million and terminating 25 individuals' and three firms' licences.

But we can do more and we need to do more. Unfortunately, Canadian SROs don't have the meaningful and effective enforcement powers that the committee has declared a necessity in today's capital markets.

We need the ability to compel clients and financial institutions to testify and produce documents at investigations and disciplinary hearings. Without that ability, good cases simply have to be abandoned.

We also need to be able to enforce the penalties imposed by our discipline committees against individuals no longer in the business, as if they were court orders. Without this power, our disciplinary process loses credibility when it imposes well-publicized and substantial monetary penalties but has no effective means to enforce the penalties.

We do what we can with the powers we have—we will not register individuals to work at member firms if they have not paid their fines—but that does not overcome justifiable skepticism about the process.

We were pleased that the committee recommended that the OSC study whether SROs should be given these statutory powers. Nevertheless, the CSA has not supported our request, even though they quite properly hold us to account for our enforcement performance. So we have asked the provincial ministers to include these powers in the proposed uniform securities act in each province.

The IDA also believes there is inadequate enforcement of criminal laws that deal with corporate and securities fraud. We simply cannot allow Canada to acquire a reputation as a haven for white-collar crime. That is why we identified the need for dedicated criminal courts for the prosecution of white-collar crimes. That is the case for youth, for domestic violence and for drug abuse. Capital market investigations require courts and prosecutors with the proper technical expertise. Specialized courts are one means of showing the public that these matters can and will be dealt with seriously. That's why I wrote the provincial attorneys general over a year ago urging them to consider creating criminal courts dedicated to securities and other white-collar crime.

Let me turn now to the committee's recommendation of the creation of a single securities regulator. Calls for reform come at a time when our regulatory structure is being simultaneously pushed and pulled. The centripetal and centrifugal forces at work across the country have created a paradox. On the one hand, more progress has been achieved in harmonizing the content and administration of rules than ever before, including the pivotal work on a uniform securities act and a passport model. On the other hand, there has never been as much divergence in philosophy, content and structure.

Every step that brings provincial and territorial rules more closely into harmony is matched by another pulling them further apart. We have to guard against the very real risk of going backwards, by creating unique approaches or introducing important new policies locally.

As a response, the government of Ontario recently proposed a national regulatory model under provincial jurisdiction. Other provinces favour a passport approach. We believe either initiative would represent substantive improvement to the present system, but each has significant weaknesses.

The passport system will not be comprehensive, since it cannot cope with the fundamental differences that exist between BC and Ontario—for example, the need for prospectuses or the registration of salespersons. The passport will not be harmonized, since it does nothing to narrow the different rules and regulations that prevail across the country. And the passport will not be stable, since it permits provinces to opt out.

On the other hand, a national commission governed by the provinces will require a uniform act, provincial delegation and common fees, but a comprehensive uniform act will be a huge challenge, given BC's distinct philosophical approach, Quebec's civil law tradition, Ontario's focus on international harmonization, and other provinces' concern about small-business financing. Also, delegation can be withdrawn. Several provinces rely on revenue from excess fees, and there is the palpable skepticism about Ontario's potentially dominating role.

A possible provincial compromise may be for Ontario to agree to a passport, provided other provinces commit to a national model within a fairly short time period. But don't hold your breath, unless the federal government makes clear its continuing commitment to significant progress on the file.

The IDA is not committed to a particular model. We do, however, strongly believe there is an urgent need for decisive action and substantive improvement, or our capital markets will suffer, to the detriment of all Canadians.

Let me conclude with brief remarks on several other issues raised by the committee. The committee recommended that SROs require members to be bound by a national complaint handling system, as well as an industry-sponsored dispute resolution system, and advise customers of the availability of these programs. I should tell you that the IDA had already implemented both of these recommendations several years ago when we created an independent arbitration program and when we participated in the creation of the ombudsman for banking services and investments.

The committee also strongly encouraged transparency in connection with such programs. We post arbitration results on our Web site. We issue public notices of upcoming disciplinary hearings and the results of those hearings via media releases. We issue the complete reasons for decisions and settlement agreements. Our Web site also includes monthly reports on the number of complaints under review and investigations in progress.

The IDA is dedicated to making our markets fair and efficient for investors in Ontario and across Canada. I look forward to responding to any questions committee members may have.

The Chair: We'll begin this rotation with the NDP and Mr Prue. Each party will have approximately three minutes.

Mr Prue: I'd just like to zero in on the prosecutions, 165 prosecutions in the last three and a half years. That averages out, if my math is any good, to about one a week. Would that be pretty fair?

Mr Oliver: Yes.

Mr Prue: Is that separate and apart from the dealings? We just heard from Mr Brown. Are these separate from his?

Mr Oliver: Yes, they are.

Mr Prue: So he has two a week that he prosecutes on; you have one a week that you successfully prosecute on.

Mr Oliver: Right. Well—

Mr Prue: Are there other groups that are out there prosecuting? This sounds like the criminal court or the drug court. This sounds pretty bad to me. This is horrendous.

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Mr Oliver: Well, Mr Prue, as the chairman of the OSC pointed out, these numbers have to be put in perspective. There are some 42 million transactions. There are tens of millions of people engaged in the securities market. We're not happy with the number of prosecutions, but that's why we deal with them, to create a disincentive to behaviour which is inappropriate.

Mr Prue: I just want to follow on that. Your recommendation—and it seems to me to be a good one—is to set up a court or courts that have jurisdiction over this type of white-collar crime. It seems there are certainly a

number of individuals probably getting away with a lot more than they should. Is that a pretty fair comment?

Mr Oliver: We're concerned that the enforcement of white-collar crime has not been as robust as it could be. I haven't mentioned some of the initiatives at the federal level. We had recommended to the federal government the establishment of IMETs. I had written to the Minister of Justice to include illegal insider trading in the Criminal Code and to use wiretap evidence and so on. So there is no one magic bullet. This has to be handled at a lot of different levels, federal and provincial. We think that one of the important aspects of this is to make sure the prosecution and the adjudication of these cases is handled with the appropriate expertise and seriousness of purpose.

Mr Prue: And, I would take it also, in a very speedy and timely manner?

Mr Oliver: Absolutely.

Mr Prue: We notice a lot of these prosecutions because they make the news every day in the United States. I don't see them making the news so much in Canada. I don't remember seeing a report on anyone being prosecuted. That's why the numbers are startling to me. We certainly know about Enron and Arthur Andersen and Martha Stewart and all the other hundreds of them. Do they have a better prosecution system, or do they just publicize it more, or is it bigger? Or all of the above?

Mr Oliver: It relates to a number of the points you raise. The cases are bigger. The Enron, the Worldcom, the Delphi cases were bigger. The case involving Martha Stewart was not bigger, but there was a lot of notoriety associated with it. They have shown a purposefulness which sometimes may have been a little overwrought, but nevertheless, over all, was appropriate.

You deal with the cases you have; you don't manufacture them. I think what we're trying to do is focus policymakers on this issue. We don't believe that securities crime is victimless and so we think the penalties have to be tough. The parole system is another matter. We think the parole system is certainly much weaker than in the United States. So that's a reason some people are arbitrating the American and Canadian systems.

As I say, this has to be handled in a variety of ways, and the specialized courts are one element in that.

The Chair: We'll move to the government and Mr Milloy.

Mr Milloy: Thank you very much, Mr Oliver. Just to pick up on the five-year committee and the role of SROs, I take it the IDA is—I'm looking for the proper word—registered, I guess, with the OSC.

Mr Oliver: We're recognized by the OSC.

Mr Milloy: Recognized. And I take it that you would then favour the recommendation that other organizations that aren't recognized but perform the SRO function be recognized or be compelled to recognize.

Mr Oliver: I think everyone who is an SRO has to be recognized in order to operate in Ontario, if they have powers that would go to the securities industry; that is, if

they relate to matters under the OSC jurisdiction. There are clearly self-regulatory bodies, like the law society, which are outside the direct jurisdiction of the commission.

Mr Milloy: I'm just picking up on this: "We recommend that the act be amended to authorize the commission to require SROs to apply for recognition where an SRO is taking on activities which are properly discharged by, or subject to the oversight of, the commission."

Mr Oliver: Yes, we would agree with that.

Mr Milloy: You would agree with that. Just following on with that, and perhaps it's not that related, you talk about having gone to the Canadian Securities Administrators to request the statutory powers for SROs. This is page 2 of your presentation, the second paragraph: "We were pleased the committee recommended that the OSC study whether SROs should be given these statutory powers," in regard to enforcement etc. Can you just explain a little bit more the background of that? Also, and I don't mean to put you on the spot to talk for the CSA, but what is the opposition to this? Because your presentation is quite compelling as to going forward.

Mr Oliver: We don't know precisely where the opposition is coming from, but we do know there isn't unanimity among the Canadian Securities Administrators. That is to say, some of the chairs of some of the commissions don't appear to be in agreement, but none of them has told us that they disagree; in fact, no one has raised a point of principle opposed to our getting these powers. After all, as I mentioned, they do hold us to account, and appropriately so, with respect to our enforcement responsibilities.

It is important that we have the ability to subpoena individuals and to subpoena evidence in order to know whether we should proceed with an investigation, and it is important—critical—that we also have that information when a case is brought before a panel. If we don't have that ability, then we simply can't go ahead on some cases where we should.

It also undermines the credibility of self-regulation and undermines investor confidence, which is a critical issue, if we have fined someone \$1 million and they don't have to pay. We have had that power; we still actually have that power in Alberta. But under the new Uniform Securities Act, we may well lose it, because it's got to be uniform.

I think the issue was that they wanted to deal with as few matters which were different, when looking at the Uniform Securities Act, as they could. They wanted to get agreement on as much as they could get agreement on in order to push the process through. The result is that the Uniform Securities Act is not as comprehensive as it could or should be, and a lot will be left to individual administrative acts going forward. That's one of the weaknesses. We got caught up in that. The lack of unanimity across the country is one of the problems, and I don't have to tell this group that it's difficult to get unanimity across the country on a variety of issues. That

is, frankly, what we're confronting, and that's one of the arguments that's used by the other side for federal involvement.

The Chair: We'll move to the official opposition and Mr O'Toole.

Mr O'Toole: Thank you very much for your presentation. Just a quick question and then a couple of comments.

You talked about 165 prosecutions in the past three and a half years. You are a national organization. Is that across Canada?

Mr Oliver: Yes, it is.

Mr O'Toole: Well, Mr Prue's conclusion is a little heavy, because the OSC was referring to Ontario—

Mr Oliver: Sorry. Which number did you mention?

Mr O'Toole: You said you had 165 prosecutions. This is on page 1.

Mr Oliver: Yes. That was national.

Mr O'Toole: That's a simple question. It looks to me, from your comment to Mr Milloy, that you really need more consistency and powers—subpoena—as well as the enforcement of court orders. Is that really—so I clearly understand. That's also on page 1, Mr Oliver.

Mr Oliver: Yes, that's correct.

Mr O'Toole: So you don't have that today.

Mr Oliver: That's correct.

Mr O'Toole: So you're toothless, really.

Mr Oliver: It's not that we are toothless—

Mr O'Toole: I'm not trying to be smart.

Mr Oliver: By the way, the number is 28 for Ontario. But it means there are some cases, where we need that particular evidence, where we're toothless. In many cases, of course, we don't need that evidence so we can proceed without it, or with a little bit of vulnerability.

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Mr O'Toole: When you look at a national regulator—this seems to be the overarching theme or drive here. Nobody wants to talk about the consumer protection part. They want to get the rule-making, uniformity and streamlining thing dealt with. I think if you look at it federally, it's going to take longer to get harmony in the rules, it will be harder to make rules, more complex and more expensive, more litigious, all the various factions. If you think it's bureaucratic today, wait till it's a national regulator. I'm kind of in favour of it, by the way, for all the reasons of accessing capital more expeditiously.

Then, if you look at the enforcement provisions, you'd almost have to go to the Supreme Court to get a definitive decision. With the lower courts and appeals, 4,000 processes, the poor penniless investor—the small-business person or whatever—can't touch it today, let alone the proposed national big giant. Is that a wrong assumption on my part?

Mr Oliver: Well, there are two issues here. One is structure and the whole disciplinary process, and the other is consumer redress. They're different issues, and they're both very important. But a national commission has to be responsive to legitimate regional interests. It

cannot be bureaucratic. It has to operate efficiently and effectively.

The consumer redress, which you and Mr Prue have mentioned, is critical also, but you should understand that we have in Canada, without exaggeration, as comprehensive and robust a consumer redress system as anywhere in the world, and probably better than almost—

Mr O'Toole: Give me an example of that.

Mr Oliver: Well, we have two aspects of it. We have, first of all, an ombudsman for banking services and investments. That is free; it's independent; it's objective; it's relatively non-contentious; it's fast. So if an individual has a problem and they've tried unsuccessfully to settle the issue with their broker, they can go to the ombudsman and they will be heard. It will be costless and it will be objective, and it is totally independent.

In addition to that, we set up, without urging from the public or regulators, an arbitration system earlier. That arbitration system is faster, less contentious and less expensive than the courts. It's not perfect, because it does cost some money, but it costs less than going to court. It is obligatory for our members, but optional for the client. The ombudsman is also optional for the client, but obligatory for the member firms to participate. So for the individual investor, particularly the small investor who is more vulnerable than the large institution, there is a consumer redress system which is comprehensive and robust.

You had mentioned in your remarks earlier the Manitoba system. I think I should tell you that it's been in place for two and half years. We think it's totally redundant, and it has never been used. So it is no panacea, I should tell you.

The Chair: Thank you for your presentation before the committee this afternoon.

Mr Oliver: You're most welcome.

ANTHONY BAZOS

The Chair: I call on Anthony Bazos to come forward, please. Good afternoon.

Mr Anthony Bazos: My name is Anthony C. Bazos, and I was a practising lawyer for 41 years until I became ill and had to stop working in 1993.

The reason that I asked to appear is that, in the 1960s, I defended a case called the \$100-million conspiracy. This situation involved charges of conspiracy to commit criminal offences which had extraterritorial effect. I argued that those charges were not valid at law and, to cut a long story short, the accused went to England, jumping bail. He was extradited, but not on those charges. He was subsequently convicted on charges of being in possession of property obtained by fraud, which is an offence under the Criminal Code.

The prosecution in the first instance was instituted by the Ontario Securities Commission. At that time, one of the co-accused wrote a book entitled *A Hundred-Million Dollar Conspiracy* and I wrote the foreword to it. In it at that time, which was in 1969, I advocated the formation

of a federal securities exchange commission, akin to the SEC in the United States, to cover the big gap that you have concerning extraterritorial offences. That means if somebody calls from outside Canada to solicit a sale of a stock certificate to somebody in Canada, as long as the transaction is committed outside of Canada he can never be prosecuted. But the federal government has the authority to make that a crime, and only the federal government has that authority.

I've seen a number of situations arise where the system cries out for a federal organization so that it can have the powers that are granted only under the provisions of the British North America Act, and they also have the right, regardless of the provincial securities commissions, to set up a federal securities commission. Canada is only one of two countries in the world that does not have a federal securities commission, and they should have.

On top of that, one of the things I would like to see happen is something to protect pension funds for workers in public corporations. To that extent, I would suggest an amendment to the law making those pension funds trust monies. Therefore, they would not be seizable in a bankruptcy by the company. You've seen this in the United States, where corporations have been prosecuted by the securities commission but they go bankrupt and nothing winds up in the hands of the pensioner. He gets wiped out. You may have a similar situation here, up in Ottawa, that's now being canvassed in the newspapers. But you need, for sure, legislation covering pensions to be independent of general funds of a corporation; in other words, those funds would have to be trust funds and therefore non-seizable in the case of bankruptcy, nor can they be pledged by the corporation for any other proposition or personal purposes.

The other thing I would like to see for the protection of the investor is some limitation on the salaries and bonuses that chief executive officers get. Too much of this is going on and people again are losing.

The final thing I'd like to see is something to be done about these public corporations that are involved with pollution problems. There again, funds should be set aside by the corporation to be provided for in the case of bankruptcies—these funds should not be seizable—to take care of the problems with pollution. You've got pollution in streams; you've got pollution in the air; you have pollution of all types. We're talking about coal, we're talking about nuclear and we're also talking about other types of pollution.

Those are, in essence, the situations that brought me to speak to you about this matter today. I don't know that much about the IDA, but it strikes me that they are opposed, from the little I have heard, to a federal securities exchange commission. But your big problem is that outside countries don't like dealing with provincial officials. You've got a big problem in England as well with the European Union, which is having its birth pains about a federal securities commission. I think that just about covers all I've got to say.

The Chair: Thank you very much for your presentation. We only have time for one question, and in this rotation it will go to the government side. We have about three minutes.

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Mr Berardinetti: Your final comment was with regard to the situation in Europe. You mentioned that there's a federal union there. Are you saying that there's one for the European Community?

Mr Bazos: Each of those countries that belong to this union has its own securities commission. I'm not sure whether anything has been decided about whether the union is going to have one governing body, but I understand that that has been suggested.

Mr Berardinetti: And you're saying that would leave Great Britain out of it because of the fact that they're not part of the monetary system there?

Mr Bazos: I don't know. I don't purport to be an expert on the general union. I read roughly 16 different papers a week. Seven of them are American, four of them are British and the rest are Canadian. That's what I've been doing for the last four or five years. I've regained my health and I'm looking to get back into doing things, but that's irrelevant here.

My main problem is that I've seen the problems that arise where people were defrauded of the monies they'd earned and put into pension funds or whatever. These are serious problems. Something has to be done with them.

I don't know why the federal government hasn't put the powers. They do have the authority under the law to do that. That doesn't mean the provincial securities commissions will get wiped out. They will still exist. But you need a federal securities commission; there's no question about it. All you have to do is ask some of the various countries across the world whether they want to see a federal securities exchange commission in Canada. I'm positive the answer will be that they do.

The Chair: Thank you very much for your presentation this afternoon.

Mr Bazos: I'm only sorry I didn't have more detail to give you concerning the brief that was put together by you people, which is very comprehensive, to say the least.

DIANE URQUHART

The Chair: I would call on Diane Urquhart. Good afternoon to you. You have 10 minutes for your presentation. You may allow time for questions within that 10 minutes. I'd ask that you identify yourself for the purposes of our recording Hansard.

Ms Diane Urquhart: Good afternoon. My name is Diane Urquhart. I'm an investor advocate. I'm a volunteer, so I give my time, knowledge and experience for the purpose of improving investor protection in Canada.

I have substantial business experience from the past 25 years. I have been a top-ranked financial analyst. I've been a senior executive in the investment banking business of Canada working for two major Canadian invest-

ment banks. For a short stint, I was a senior portfolio manager registered with the Ontario Securities Commission. I've been a director of a public company. I worked for the Toronto Stock Exchange very early in my career. Throughout my entire life I have been an active investor.

I would like to officially request that I be allotted some more time, because I do understand we are ahead of schedule since prior speakers did not take their allotted time. I'll make that request again of you today, MPP Pat Hoy.

The Chair: Let me advise the committee that speakers did use their allotted time. The committee did not use all their time for questioning. A request from this presenter was sent to the clerk and to all members of the standing committee's subcommittee requesting extra time, and there was no response. The request has been made now. I would ask, first of all, how much extra time are you seeking?

Ms Urquhart: I would like an extra 10 minutes. I would like the opportunity to make a 10-minute presentation and then any amount of time within that subsequent 10 minutes for questions. If there are no questions, then I'll be finished in 10 minutes.

The Chair: Do we have unanimous consent? I heard a no. You have 10 minutes for your presentation.

Mr Prue: And I would like to move that she be granted seven minutes, which will take us back on to schedule. An extra seven minutes.

The Chair: We have a motion. All in favour of the motion?

Mr Crozier: Well, let me tell you at once that I'm saying no because one witness is asking for time that others haven't had the opportunity to have. I just think it's unfair.

Ms Urquhart: OK. Let me begin then. I believe that means not unanimous consent. I have submitted a 45-page—

The Chair: No, to be correct, we have a motion before the floor.

Ms Urquhart: Oh, I'm sorry.

Mr O'Toole: Recorded vote, please.

The Chair: A recorded vote has been requested.

Ayes

Barrett, O'Toole, Prue.

Nays

Berardinetti, Crozier, Jeffrey, Milloy.

The Chair: The motion is lost. You do have 10 minutes starting from this point.

Ms Urquhart: Thank you very much, Mr Chairman. My subject today is that the Canadian securities enforcement and justice system is not working for investor victims. I believe that fixing the enforcement and justice system is going to be good for the financial industry,

good for public corporations in Canada and for the economy.

Certainly fixing the enforcement system is vital to investor confidence and investors placing their hard-earned savings into the capital markets. There's enough risk in equity markets, let alone to have concern about the honesty of the players who are working as insiders in this marketplace.

I do not believe you need to wait for a single securities regulator to fix the enforcement and restitution system of Canada. You can fix enforcement and restitution now. You can do this by fixing the OSC now and by enacting just a few new, key investor protection laws.

This slide—and you've got handouts before you as well—characterizes what you've already heard all morning. There are far too many agencies and authorities in Canada's enforcement and justice system.

The individual investor who has just lost tens of thousands, hundreds of thousands, perhaps millions of dollars—individual investors are not all mothers and grandmothers; there are entrepreneurs, such as myself and many others, who are investors in the Canadian capital markets. When you are an individual investor subject to the abuse by insiders of corporations or if you have been the victim of fraud by a financial adviser, you have to confront this system and figure out who to deal with. You don't know who to go to. You go to a lawyer and, quite frankly, the legal community of Canada often doesn't know the full breadth of the regulation and justice system that's available to individual investors. The bottom line is, this all costs money to the individual investor who has already lost hundreds of thousands of dollars.

These are the laws. Not only are there 13 securities laws, there are 13 different corporate laws; there is federal company law; there is the federal Criminal Code. All this costs money. You either do the research yourself or you go to a lawyer who's supposed to know all these laws. Notwithstanding that, they still have to research in which province the misconduct took place. Believe me, it's very complicated.

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I'm probably the only director in the country who has addressed multi-offence crime in a public corporation. The crimes I faced as a director had me performing a legal obligation to provide information on the misconduct that I observed and was unable to stop. That effected my going to the TSX Venture Exchange, which is a self-regulator. That was for stock trade manipulation unauthorized related party transactions. I had to work with the British Columbia Securities Commission on continuous disclosure misrepresentation; Ontario sent me there. I learned later that Ontario had exclusive jurisdiction for illegal issuer bids paid to a director, an executive officer and other members of the control group. There was fraud involved, and so I had dealings with the RCMP commercial crime unit.

The bottom line: The laws in Canada are useless unless they're enforced. If you're a director of a public

company attempting to be in the front line of stopping misconduct and represent the interests of small investors and shareholders generally, you have no authority to stop that misconduct. You need to have a regulatory or police authority to investigate and prosecute. That is not happening on a frequent enough basis in this country, and I believe that the Ontario Securities Commission, being the lead jurisdiction, is amongst the worst in not conducting a significant enough amount of investigations and prosecutions relative to the crime.

The OSC already has considerable powers to give restitution to small investors who suffer losses. In this table, I show that there are three routes of enforcement action that are available in Ontario to an aggrieved investor.

The OSC staff can prepare allegations and take them to an OSC commissioner panel. That's called an administrative procedure, and that's termed as a violation.

In the 2002 amendments, the Ontario Legislature gave the Ontario Securities Commission the power to make fines up to \$1 million, to disgorge all ill-gotten gains and to put those proceeds into a trust fund. Under subsection 3.4(2), that trust fund can be paid to third parties or aggrieved investors, subject to the approval of the minister. The Ontario Securities Commission has not on a single occasion since 2002, when it was put in place, made any effort in any of its administrative proceedings to make use of the trust fund. I recommend that this committee ask them to do so. They have that power today.

It would also be extremely useful to have a new law that in the OSC itself there is direct power for restitution. That needs a new law. But effectively they get the same thing by putting it in a fund and getting the minister to approve its payment.

Ontario Securities Commission staff also have the power, under section 128 of the law, to take a matter directly to court and ask for restitution of aggrieved investors. I don't know how long this has been in existence, but the Ontario Securities Commission has never used that current power.

We heard this morning from Mr Nickerson that there's a tradition not to seek restitution. Well, we have a loss of investor confidence in this country, and so we cannot go by tradition.

There also was a Supreme Court decision that indicated the Ontario Securities Commission is not to take actions which involve the resolution of private interests. Let me say that if you're a small investor in a public company, you do not have private disputes with those insiders who decide to reallocate \$6 billion of accumulated prior-year charges and then release them into future earnings. You don't have a private dispute with Mr Dunn, for example, as the chief financial officer of Nortel. It's a public company. If you suffer damages, you would like the Ontario Securities Commission, and the RCMP in necessary cases, to make allegations, to have it adjudicated in a separate court and then to have a

restitution fund put together so that those who were found guilty of offences and crimes contribute to some partial, if not full, restitution to the investors that received damages.

The Ontario Securities Commission has a route in the law today, within section 122, to go to the Ontario Court of Justice to get a quasi-criminal offence and to put someone in jail. Today Mr Brown said he does that often. He does that rarely. In 2000 to 2002, there were no cases brought to the Ontario Court of Justice for a quasi-criminal offence charge. There was no one who went to jail during that period. Only recently, because of substantial public pressure, has he decided to take two cases back to the court. On the public record, the head of enforcement has indicated they don't like taking cases to the court because they feel the court does not have the expertise and does not mete out sufficient penalties. So when Mr Brown said this morning that he takes cases to the court for quasi-criminal charges, that has not been his record.

The Chair: I want to remind you that you have two minutes.

Ms Urquhart: OK. I urge everyone to read my report. This next slide simply says that restitution is common practice in the United States and that in the United States, on average, for every \$10 billion of GDP there is \$1,230,467 in restitution for investor victims. As you can see, no restitution has been accomplished in Canada, but it is prevalent in the United States.

I'd like to turn to the public opinion polls. We have a Canadian public that is not confident in the Ontario Securities Commission and securities regulators generally. The executive survey in June 2001 indicated that 79% feel that securities regulators do not do a good job of protecting the interests of small investors. The Globe and Mail earlier this year found that 55% of those surveyed had weak to no confidence in the enforcement operations of the regulators. I'm a member of the Association for Investment Management and Research: 49% of us said that the Ontario Securities Commission's enforcement was poor to very poor.

The media has had extensive coverage. We have had over 14,000 articles in the last three years. Look at the list of them. I chose 75 in my submission, but we get media headlines like, "The True North Strong and Fleeced: Little Protection for Canadian Investors." Media is a reflection of the public opinion.

Mutual funds sales: If you don't think there's a loss of confidence in Canada, in 23 of the past 26 months there have been, net, hundreds of millions of dollars in sales from mutual funds in the Canadian equity product line. That, I think, is evidence that Canadians have lost confidence in the integrity of Canadian equity markets and are walking with their feet. That does cause economic damage.

There was lots of discussion this morning about whether or not there are a lot of cases going before the commission. This next slide—and we don't have time to go through the details, but in 2003, there were 42 cases

settled or prosecuted. That compares to 745 complaints. So in the last five years, essentially one out of every 23 complaints that came into the Ontario Securities Commission, not including what went to the IDA, got addressed in the form of a case or a prosecution. No wonder investors are not happy with the Ontario Securities Commission's enforcement efforts.

There is one tenth the enforcement staff in the Ontario Securities Commission versus the SEC. They do substantially less than one tenth of the enforcement cases. The productivity per enforcement staff out of the Ontario Securities Commission is less than one half case per person per year.

The hearing days: The implication that Mr Brown gave this morning was that we only have 39 days per commissioner, so we can't go to a separate adjudication function now. What would they do? I can assure you that there is a problem and that the commissioners' working only 39 days out of a 215-man-day year is a problem. We have to ask, why is it that they can only do one in 23 cases? I can assure you, with my experience, the answer is that there is inadequate public interest to use the limited enforcement resources of the Ontario Securities Commission. Yet the implication this morning is, "Let's not have a separate adjudicative panel, because what would they do?" Clearly, they're talking out of both sides of their mouth and it's unacceptable.

The Chair: Thank you. The time for your submission has expired.

Ms Urquhart: Fine. Please do read my submission. There are substantial additional facts along the same lines.

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SOCIAL INVESTMENT ORGANIZATION

The Chair: I would ask if the Social Investment Organization would come forward. Good afternoon, gentlemen. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions if you so desire.

Mr Eugene Ellmen: Thank you very much for giving us the opportunity to talk to the committee today on this important topic. My name is Eugene Ellmen. I'm executive director of the Social Investment Organization. With me is Rob Gross, a member of the board of directors of the SIO and the chair of our policy and advocacy committee. I would like to speak for about 10 minutes and leave some time for questions.

We're going to take probably a bit of a different path with you today than some of the speakers you've had earlier, who are more concerned about prosecutions and enforcement and the structure of the OSC and some of the issues around self-regulatory organizations. We're going to talk more about corporate disclosure and corporate governance and some of the issues that we think aren't receiving adequate attention, either in the corporate community or in the investment community.

Just by way of background, the Social Investment Organization is Canada's national association for socially

responsible investment. We have about 400 members across Canada, which include staff and directors of some of the leading investment fund companies in this area: asset management firms, consulting firms and financial advisers. Our basic mission, if you will, is that our members believe, as financial advisers, as asset managers, that it's important to incorporate social responsibility and environmental sustainability assessments into the selection and management of stock portfolios. This is for two reasons. First, we think it makes prudent investment sense. There is a growing body of evidence that over the long term, social responsibility and sustainability criteria add to portfolio value. Also from a social responsibility point of view, we think that it's a tool to make corporations more socially responsible over the long term.

Our members serve about half a million Canadian depositors and investors. We estimate that the total value of socially responsible investment in Canada is over \$51 billion. Those figures are from 2002. Certainly it's a small part of the investment industry but it's a growing part of it. We find that there is growing interest both by individuals and institutions in this investment approach.

So where do we come into this whole question of securities reform? Our view is that over the last couple of years the corporate scandals involving Enron and Worldcom, and plenty of Canadian examples as well, show a symptomatic disregard by many corporations for the interests of stakeholders. Certainly investors are included in that, but not just investors—employees, members of the community, the environment in which companies operate. These scandals show that management is preoccupied with short-term returns, to the sacrifice of long-term considerations such as sustainability and corporate responsibility.

In our brief, we go to some pains to show the weaknesses in the current continuous disclosure regime in Canada. There is plenty of evidence to show that Canadian corporations fail to disclose hidden balance sheet risks involving environmental liabilities, involving potential losses due to employee or community concerns. These corporations are failing to disclose these in the regular investor continuous disclosure documents that they file through current securities regulations.

So what we're going to propose here is a much strengthened continuous disclosure regime for corporations that would basically build the principle under the Ontario Securities Act that corporations need to disclose their socially responsible and sustainability policies, and disclose their risks. That should be a principle that's written into the act.

Certainly, we've spoken to the Canadian Securities Administrators about these issues in quite a bit of detail in the past in their various efforts to harmonize securities and continuous disclosure regulations across Canada. But we feel strongly that it's important that this principle of social responsibility and environmental disclosure should be a part of the act.

In addition, we also want to bring forward the basic point that, in terms of corporate governance, it's not

enough to be concerned about issues such as auditor independence, board independence, CEO and CFO certification of financial statements. It's important for companies to take into account social and environmental considerations when they're designing their codes of corporate conduct.

Our second recommendation in this brief is that the act should stipulate that publicly listed companies should be required to have mandatory codes of conduct, and there should be mandatory content in those codes, including social responsibility and environmental sustainability provisions. If companies fail to include that material in their codes of conduct, then they need to explain why. They need to disclose to investors why they're not doing this. We believe this would help to enhance the notion of corporate governance in Canada, to move it away from a strictly financial definition, which we have now, to incorporate these long-term social responsibility and environmental considerations.

In addition to this, we also address in our brief the issue of a national securities regulator. In order to achieve this enhanced disclosure and governance regime which we call for, it's our strong view that Canada needs a national securities commission. The reason for this is that, internationally, there are other jurisdictions that are much, much further ahead of Canada on this issue of social responsibility and environmental sustainability.

The UK has recently introduced a new law on an operating and financial review which stipulates very clearly that companies will be required to make their social responsibility and environmental policies known. Certainly, in other jurisdictions in Europe this is becoming the case. In South Africa, the King report on company law stipulates very detailed corporate disclosures along these lines.

If Canada is to keep pace with world developments in this regard, it needs a national securities regulator. The current system of trying to harmonize regulations through this Canadian Securities Administrators system is fraught with difficulty. It's a complicated request-for-comment system, and it means that 13 jurisdictions have to basically harmonize their regulations. This is keeping Canada behind on important matters, such as governance matters on prosecution and policy on governance-related matters, and it is also keeping Canada behind on social responsibility and environmental considerations.

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In addition, we also want to make the point that for relatively small fund companies or asset managers—and we have a lot of them in the socially responsible investment industry—with 13 jurisdictions to produce prospectuses for and to register securities in, for smaller players in this industry, it's a much, much higher cost proportionate to the assets under administration than for large mutual funds or the national banks. This puts many of the small players, many of the small fund companies, many of the small asset management firms, at a competitive disadvantage to the larger players. So we believe that both for matters of business and for matters of

principle, it's important to have a national securities regulator.

With those comments—I don't know, Rob, if you want to add anything to that—I would be happy to answer questions for our remaining time.

The Chair: Thank you. Your prediction of using 10 minutes was impeccable. We have a little over three minutes for each caucus, and we begin with the official opposition.

Mr Barrett: I understand you're advocating a self-reporting of risk.

Mr Ellmen: Yes, that's correct.

Mr Barrett: In general terms: employees, customers, environment. Has this opened the door to getting more specific, and who decides? Are we talking tobacco, hamburgers, handguns?

Mr Ellmen: Ultimately, it will be up to the company to decide. In fact, many companies file very detailed sustainability reports. Rob could speak to this better than I could. Rob is the managing partner of Michael Jantzi Research Associates, which is the leading social research company on corporations in Canada. But we're basically leaving it up to the company to disclose what their board of directors feels are significant social and environmental policies or risks.

One of the points I want to say about that is that in our brief we do call for a civil liability regime in Canada. That was one of the recommendations of the Crawford report. Once that comes into place and when companies start making these more detailed disclosures, they will become subject to potential lawsuits in the future. That consideration will hold companies to a principled approach on this issue.

Mr Prue: I'm having a little bit of a problem with this because some companies think they're doing wonderful environmental things, as an example, when in fact they're probably not doing anything of the sort. I'm thinking about the nuclear industry, which says, "This is good, clean fuel," except they never say where the fuel's going to end up or that in 100,000 years from now, they're still going to be storing it. Who decides whether or not this is environmentally friendly? They're going to say it is, but is it, in reality, true, and if it isn't true, what does the regulator do with it?

Mr Ellmen: What will happen is, if our recommendations are enacted, there will be a burden on the company to disclose the risks that management already knows about. So if management knows about a risk and has identified it in its audit committee, it will be under an obligation to report that. And if investors find, somewhere down the road, that the stock was hurt by a failure to disclose, then that will give them some legal ammunition to take that company to court.

Mr Prue: But very often these things are disclosed after the fact, after the company has gone belly-up or sold out to some conglomerate or changed its name or ownership. That's usually when all this stuff surfaces. What do you see the investor having at that point?

Mr Ellmen: What we're arguing for here is a disclosure regime that will bring those risks up front. Before

the company really gets into deep difficulty, these disclosures will be put in their annual reports and their management discussion and analysis reports.

Mr Prue: And if these aren't included, they wouldn't be publicly traded?

Mr Ellmen: No, if they're not included and for some reason down the road the company does come into trouble, then this gives investors in that firm a strong case with the civil liability regime as well. The failure to disclose then gives investors a strong case to take that company to court. With that civil liability regime in place, companies' audit committees will be very, very careful about disclosing the risks that they're aware of.

Mr Prue: Part of the argument, though, that is being made around this issue is trying to get things out of the courts, not into them. They're huge, complex and expensive, and at the end of the day only the lawyers profit.

Mr Ellmen: I think, like it or not, because of the aftermath of Enron and Worldcom, investors are becoming more litigious. I think that's a reality of the world in which we live now.

Mr Prue: Thank you very much.

The Chair: We'll move to the government.

Mrs Jeffrey: Thank you for coming today. You make a strong assertion that social responsibility is a key business issue, or is becoming one as time goes on.

I read your brief. You make what I think is a provocative statement, so I'd like to challenge you on it. You indicate that "by requiring corporations to disclose their social and environmental risks and policies," it will help "shape an investment community that is increasingly sensitive to non-financial opportunities and risks. This can only help to enhance long-term shareholder returns." How do you support this assertion? Do you have any facts?

Mr Ellmen: We didn't include a lot of those data in the report, but if the committee members are interested, I could certainly direct you to numerous studies on this. There are numerous academic studies in Canada, the United States and Europe that support this. Most recently there was an academic study of the Canadian situation, using research from Michael Jantzi Research Associates—it was published in the spring issue of the *Journal of Investing*—showing that when socially responsible companies' share performance is compared with conventional companies' share performance, there's really no difference.

We have evidence, in the socially responsible investment movement, from various stock indexes that have outperformed conventional stock indexes. The one in Canada is the Jantzi Social Index. Since it went live in 2000, it has outperformed its comparable benchmark in Canada. The longest-standing one in the United States is the Domini 400 Social Index of 400 socially responsible stocks. When it's compared to the S&P 500, its conventional benchmark, it has consistently outperformed the S&P 500 since the Domini was started in 1990. The indexes in Europe—FTSE4Good and the Dow Jones

Sustainability Indexes—have outperformed their conventional benchmarks as well.

Certainly the academic research either shows that there is outperformance or no impact on performance from social responsibility. Our experience in the socially responsible investment movement is that over time it only makes sense that companies that are responsive to their communities, keep themselves out of court on environmental liability and keep themselves out of controversies in developing countries have the best share performance over the long term.

The Chair: Thank you for your presentation this afternoon.

INVESTMENT FUNDS INSTITUTE OF CANADA

The Chair: I would call on the Investment Funds Institute of Canada to come forward, please. Good afternoon. You have 20 minutes for your presentation. You may allow for questions within that 20 minutes, if you so desire. I would ask you to identify yourself for the purposes of Hansard.

Mr Tom Hockin: Thank you, Mr Chair. My name is Tom Hockin. I'm president of the Investment Funds Institute of Canada, also known as IFIC. We represent the mutual fund industry in this country. We now are approaching \$500 billion in assets in the mutual fund industry. It's about the same now as private pensions and deposits. So it's important to all of you and half of all Canadian households, probably in all of your ridings as well, who own mutual funds.

Our association includes fund managers, the retail distributors, and all the major affiliate firms: legal, accounting and other professions.

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I'd like to thank you for this opportunity to comment on the five-year review committee's final report reviewing the Ontario Securities Act. The five-year report recommends that the provinces, territories and federal government work toward the creation of a single securities regulator.

For many years, our institute has articulated a clear and consistent message: Our industry needs consistent rules, consistently applied across Canada, and we need it yesterday. Piecemeal reforms and incremental change are not enough. The reason we say this is that there is nothing about the mutual fund product that has to be tweaked to suit a region. It's a product that's suitable right across the country, and there shouldn't be different regulations about how it is put together in the country. Even the distribution of it requires very few regional tweaks.

Our industry, then, operates nationally, but it's regulated provincially and territorially. This fragmented model creates enormous duplication in compliance costs, and these costs are not borne by the companies. They are borne by your constituents, the unitholders. That's who pays for it. In fact, the fund industry is one of the major

suppliers of fees to the securities commissions in this country, somewhere between a third and a half.

Fund managers and fund dealers now must develop compliance and operational procedures that reflect the different rules that apply in each jurisdiction. This leads to significant implementation and training challenges. Information systems, for example, must be programmed and compliance personnel have to be trained to operate under 13 different sets of rules and regulations for this product which should be uniform across the country. There are a number of other domestic and international problems that flow from this patchwork, and I may be repeating some of the things you've heard earlier this afternoon.

Regulatory costs are exceptionally high, and it's a clear barrier to growth for a small market like ours. Regulatory costs are going up for mutual fund unitholders. What the fund industry—we're on the buy side—would like is lots of public companies that we can buy and choose among. That's what we want. But multiple costs make the Canadian market less attractive to international and large domestic issuers, because the cost of capital becomes too high, so we have less to buy. And multiple, poorly coordinated regulatory authorities make it confusing and difficult to know how to fulfill regulatory obligations across Canadian jurisdictions. For our product, some of them contradict each other.

So what are we to do? I'm not one who always likes to look to our neighbours to the south for an answer, but let's just look at what happened in the US. They have 50 states. The US Congress recognized that uncoordinated and overlapping federal and state securities regulation was a serious threat there to the efficient operations of their capital markets, and they have a much larger market than we do. The American efforts at fostering more coordinated administration of their legislative framework had to contend with reconciling the interests of 50 different state regulatory authorities, 50 different provinces or OSCs. The US, however, has made great progress in navigating these challenges with the implementation of the National Securities Markets Improvement Act of 1996 and the 2002 Uniform Securities Act. In light of the success of our biggest market competitor, IFIC believes there is no longer any continued justification for a regulatory model that fragments Canada's much smaller capital markets.

Let me speak to securities reform and the multiple reviews.

Financial associations from all industry sectors—you've heard from the IDA; you'll hear from the CBA; you're hearing from me now—are all noting the need for securities regulatory reform. Unfortunately, there are an unwieldy number of reform proposals underway. Many of them are positive and needed, but just as many have the potential to further impede the progress of an already overburdened industry. For example, the federal government convened a Wise Persons' Committee; provincial Ministers of Finance recommended the adoption of a passport system; the CSA embarked upon the uniform

securities legislation project; the province of BC is currently implementing sweeping reforms, on a principled basis, for its securities legislation; and the province of Ontario released the five-year review committee final report. The volume and complexity of all these initiatives are now before all of us to consider, and they demand a lot of time from industry players and great effort from stakeholders if they are to be analyzed and commented on. All of us in the industry, I must tell you as legislators, have found it challenging to prioritize all of this: Which ones should we spend a lot of time with; which ones should we not?

To do this effectively, we all need to know how the various initiatives, including the one before you today, the five-year review report, interact and affect each other, and ultimately how regulators envisage our regulatory system as a whole when the various proposals are considered and completed.

Irrespective of who is leading which review, IFIC's message is always the same: The ultimate goal of any restructuring of the regulatory framework of our country and our industry must be to institute one set of rules that can be consistently interpreted and applied across Canada.

Let me speak to the adjudicative tribunal role of the OSC.

The review report noted that the OSC is a multi-functional administrative agency discharging a number of different and overlapping roles at the same time, including making policy, conducting investigations, and sitting as an administrative tribunal. The review questioned whether this structure gives rise to perceptions of potential for conflict or abuse, and recommended that the current OSC agency structure be given further thought on a priority basis.

I'm impressed by all the OSC does. It's easy to criticize them. But there is, I suppose, some potential for conflict, and the potential for perceptions of conflict is likely to increase as the OSC becomes more activist in its approach. When I say "activist," let's note that in the past few years, the OSC has increased its staff, introduced a new fee system, introduced a new revenue stream, undertaken more policy initiatives, and placed a new focus on consumer and investor complaints. There is also a perception within the industry that the OSC has been creeping somewhat toward an increasingly social-engineering bias to marketplace issues, beyond the scope, in the view of some, of its mandate. For example, a recent OSC survey on mutual fund dealer practices asked questions dealing with client service. It is IFIC's position that the OSC should focus its attention—it's got a lot on its plate—on its core mandate, compliance with rules, and leave nuances around client service matters to providers in the marketplace.

Another example of concern is the trend of the OSC commissioners to speak out publicly in support of an OSC policy initiative that has not yet progressed past the proposal stage. Endorsement by commissioners of draft OSC policy initiatives prior to having navigated the

public consultation process has the potential to inappropriately influence input on OSC initiatives from market participants. It also creates a reasonable perception of bias on the part of the commissioners in the eyes of some industry participants—we don't want that; I don't see too much of that, but I don't think they would want that either—who may subsequently appear before the commission either as defendants or to seek discretionary relief.

In considering this issue, it is worth noting the report's comments on a separate but related issue. The committee noted that trade associations advocate on behalf of their members' commercial interests, but as a regulator, each SRO sets requirements that govern the conduct of its members to protect the investing public. While the report does not recommend the separation of SRO trade association and regulatory functions, it does recommend that certain SROs consider whether improvements can be made to their structures to lessen perceptions of conflict of interest in regulation.

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A similar argument could be applied to the OSC and whether its policy, investigative, and adjudicative functions could be structured differently to help it in lessening perceptions of bias when an OSC commissioner has publicly expressed opinions on a proposed policy. Fortunately, this kind of behaviour has happened very seldom, but it has occurred with regard to the mutual fund product from time to time. So IFIC agrees with the need to examine the OSC's adjudicative tribunal role, and we look forward to reviewing and commenting on the OSC's study on its quasi-judicial structure, led by the Honourable Coulter Osborne.

This committee's review, the work of all of you here, will contribute greatly to the ongoing debate about streamlining Canada's cumbersome and fragmented securities regulatory structure. I'm very pleased that you've allowed me to appear before you. We applaud the work of the Legislature in regard to this. We appreciate your consideration of my comments today and would be pleased to discuss them further with you. I have a written submission as well.

The Chair: Thank you very much. I believe committee members have your written submission.

We have about three minutes per party, and we'll begin this rotation of questioning with the NDP and Mr Prue.

Mr Prue: I'd just like to go back to your comments about Coulter Osborne's report. Obviously you probably haven't seen it yet. OK. So anything you've heard, you heard in this room today.

Mr Hockin: And not very much.

Mr Prue: And not very much, no.

His report, in a nutshell, at least around the issue of the adjudication function, is that in the appearance of fairness and in an effort to make the Ontario Securities Commission work better, he recommends that it split off and be separate and apart. That is, I think, in a nutshell, pretty fairly what he said.

Do you support that kind of approach? I know you haven't read it, but I just want to hear where you're coming from as a major investor in the market. We heard the OSC equivocate, I think, try to walk on both sides and give arguments pro and con. I would like to hear what you think about having an independent quasi-judicial body, separate and apart from the OSC itself.

Mr Hockin: Well, I think the OSC's position up to now has been quite open on this. Factually, right now, they're handling this as best they can. I would side on the view that they would benefit from a separation, that they would find their work easier, and that the public would be more comfortable with the separation. But this is my private view. I haven't consulted with all my member companies on this.

Mr Prue: I can imagine.

You also talked about the development of a national policy and how that would affect—as an investor, you can invest literally anywhere you want. I'm not confined to investing in Canada. Even with my retirement funds, mutual funds, there's a certain percentage that can be outside. You know, you hire somebody: the markets are worldwide. Why do you need to have a single national—I'm just playing devil's advocate. I think it's a good idea, but why do you need to have that when I can invest in New York or Japan or London or on the DAX or anywhere I want by picking up a phone?

Mr Hockin: There are two reasons. First, this country needs to mobilize private investment to help companies grow and create jobs and to provide exports and so on. It can only be done either through private angel investors or by going public. We in the mutual fund industry—let's say you're running a Canadian mid-cap mutual fund. We would welcome more and more mid-cap companies to choose among so we could maybe sell the bad companies that aren't doing too well and have some good ones to buy. So we're an industry on the buy side that wants to have more choice, not only for the creation of jobs for the people who are going to be hired by these new companies, but also as a source of new issuers for us to buy and to allow our Canadian content, which is restricted, which is required in your retirement plan and mine, greater diversity.

The Chair: Thank you. We'll move to the government and Mr Milloy.

Mr Milloy: I want to thank you, Mr Hockin, for your presentation. I also appreciate the fact that you kept your presentation to one or two key issues. But at the same time, even though I only have a few minutes, I can't let this pass by without asking you—and I know you have some other material you submitted—where your institute has landed in terms of the very interesting recommendations on mutual fund governance. I realize you only have three minutes, but I thought I'd give you a chance to go on the record as to the different recommendations about an independent governance body for—

Mr Hockin: Of a mutual fund.

Mr Milloy: Yes.

Mr Hockin: Let me give you an example. Let's say you own the Royal Bank Canadian equity fund. It's now

prohibited by statute for that fund to own Royal Bank stock, even if it's a great stock to own, or to buy an initial public offering in the first 60 days from one of the subsidiaries of the Royal Bank. The OSC quite wisely thinks this is unfair to people in the Royal Bank Canadian equity mutual fund. They have been giving exemptive relief to fund companies that have put in place independent directors who would review those transactions and say, "We don't own those securities," because they couldn't find anybody else to buy them but because they're very good securities to own—we support that. We believe unit holders need not be punished by these prohibitions and limited by these prohibitions but to have independent directors who could make the call on this and say, "This is quite a suitable security. We totally support it."

Also, the independent directors could help the manager identify potential conflicts of interest out there and ask questions like, "Why are you always using this brokerage firm instead of another?" or, "How come you allocated all the expenses for the funds this way across these 90 funds instead of that way?"

So we've been very supportive of having an independent review committee as part of the board of a fund company. A number of our fund managers now have it. They've been smart to do it, because they've been able to get exemptive relief in some of these related party matters.

Mr O'Toole: Thank you very much. As you said in your opening remarks, most of us are probably involved directly or indirectly with the mutual fund issue. I think Mr Milloy has asked the right question in terms of governance. That seems to get a fair amount of media attention, and I'll be satisfied with that.

I'm reading from your report and, in a general sense, you say that you'd like to see the adjudicative function of the OSC examined. Coulter Osborne has been put on the record today as saying that in the absence of clear and convincing evidence, he would not recommend structural change, and yet if you read the conclusion on page 32, you see he's done that. So there must be clear and compelling evidence and all the rest of it. You'd be happy to see this committee make some strong recommendations on that separation.

You've said here that you're not speaking for the industry; you haven't had time to consult. But you work with this all the time and it's the perception issue, really. There are no accusations being made; it's perception and resources, technically. Maybe the government is going to have to step in and put some of that infrastructure in place, freeing up the current revenue from the OSC to do more due diligence in its cases. I'd like to think that I would be using that as a reference in the future, that you'll be consulting and advising this committee what your membership thinks?

Mr Hockin: Yes, I will. I don't think I want to add to anything I've said to Mr Prue. I think the present OSC commissioners honestly believe that they've separated the two, and I respect that, but I think they would get

more comfort, as would the public, if there was a separation.

Mr O'Toole: Yes. I just wanted to put on the record too that it was mentioned before that there's probably an opportunity here to look at—it's such a technical and specialized area. A new court system has been mentioned before, and if you look at the commercial list courts, you would probably be very familiar with the disclosure and very technical regulatory framework, as opposed to a general law.

In most cases, in my understanding, most of these hearings go to the general court, as opposed to the commercial courts. Maybe that would be something the OSC could initiate on its own. Do you understand the difference?

Mr Hockin: Yes, it's a proposal that might be worth their following up.

1550

Mr O'Toole: Is there some signal the OSC could send that would ensure the clarity of the distinction between the regulatory role and the quasi-judicial role?

Mr Hockin: Beyond structural reform?

Mr O'Toole: I'm saying that commercial list courts could say, "We would recommend that the government allow us to send them to a specialized court." They would initiate that, giving them some appearance that they're trying to make sure there are specialists in this court setting, independent, that we could refer to, as opposed to the general court.

Mr Hockin: I'm not an administrative lawyer, but I must say they'd probably have to get comfort from the Legislature that they could do this kind of devolution.

Mr O'Toole: They're supposed to consult with the minister. It's very important.

Just one last thing: Public sector pensions technically are heavily invested in mutual funds. Some of them are moving their funds into real estate and other kinds of institutions. Most of us in mutual funds have no idea what the portfolio is, really. It's just a codified title of a whole series of balance of risk and reward.

Mr Prue: It goes down.

Mr O'Toole: Yes, it does down. I know that.

Mr Hockin: You can find out what's in your mutual fund. At the end of the month you can see what has been in it.

Mr O'Toole: But you can't tie it to—

Mr Hockin: You can't tie it to what's in it right today because the fund manager doesn't want to be copied. If he's a good fund manager, he doesn't want other people copying him. Therefore, they give you this sort of lagged report and what's in it. But you have to understand that your mutual fund has very clear objectives. If it's fast growth in Canadian equities, then it has got to do that and it can't drift off that style. If it's something more conservative, it can't drift off that. Make sure your fund manager keeps to his style and keeps to his objectives. That's an expectation you're entitled to have, because that's what they disclose in their prospectus.

The Chair: Thank you for your presentation this afternoon.

CARP—CANADA'S ASSOCIATION FOR THE FIFTY-PLUS

The Chair: I would ask CARP—Canada's Association for the Fifty-Plus to come forward, please. Good afternoon. You have 20 minutes for your presentation. You may leave time within the 20 minutes for questions, if you so desire. I would ask you to state your name for the purposes of Hansard.

Ms Lillian Morgenthau: Before I begin, I know you've been here for a long day and I would like to thank the members who have stayed to hear the latest and the last of the day. It's been a tough time. Now I'll begin.

My name is Lillian Morgenthau. I am president and founder of CARP, Canada's national organization for the 50-plus. I would like to thank you for the opportunity to present our brief on the five-year review of the Ontario Securities Act. This act, which establishes the Ontario Securities Commission, has a great influence on the quality of life of seniors. These seniors depend on their investments in the marketplace for their retirement income. It is, of course, the responsibility of the OSC to ensure the honesty of financial advisers and investment firms.

Before I continue with my presentation, I want to briefly introduce you to CARP, if you don't already know about it, and if you don't, you should be ashamed of yourself.

CARP is Canada's Association for the Fifty-Plus. We are a non-profit organization with over 400,000 members across the country. Our magazine, 50Plus, is read by almost one million Canadians, and our Web site is accessed by 250,000 unique individuals per month. We receive no operating funding from any level of government. Our mandate is to promote and protect the rights and quality of life for older Canadians, and our mission is to provide practical recommendations on the issues we raise.

Needless to say, we come before this review committee without any vested interests in the financial industry. Rather, we speak for consumers whose only interest is survival, and especially today, when the interest level on their retirement funds is so low that the amount of money they thought they would have when they were retiring has gone out the window. So, this particular committee is of great importance.

We applaud the Ontario Securities Commission for its policy of engaging knowledgeable consumers on their various committees. This policy is also workable for the tribunals. As well, the investor education fund is on the right track by collaborating with organizations like CARP to educate consumers on the mechanics and intricacies of investing.

The marketplace is to be protected, and it must be protected in every single possible way against scams and frauds. Every day there is a new scam and a new fraud, and older people who grew up in a time when the doors were open and you were polite find it very difficult to hang up when someone calls and offers them something.

This is one of the things that CARP has been doing. We have been telling our members: "When you get an offer that sounds good, is too good. Hang up. If it's really important, then they will call you back."

I remember one of our members saying that someone called them and told them that they had just won a Cadillac. They said, "Wonderful. What colour is it?" He said, "It's black." He said, "Oh, I don't want that; I want a white one," and hung up. That's what you should be doing.

At the same time, we suggest that the Ontario Securities Act enable the OSC to adopt a proactive approach to protecting consumers against wrongdoing by financial advisers and investment companies. We should take Eliot Spitzer in New York state as a model.

To this end, the OSC should adopt a policy of immediately informing consumers of any actions initiated against financial advisers and investment companies. They should suspend their financial activities while they are under investigation, and vigorously prosecute those found guilty with appropriate fines and even imprisonment. If charges against them are found to be baseless, then they should be well publicized. Improper, misleading or false advice and actions by financial advisers and investment companies must be legally recognized for what they are: a form of fraud and scam, and certainly of elder abuse.

Those on the receiving end of such activities have limited, if any, recourse to recoup any losses they incur because of the time and expenses involved. So-called white-collar crime must be dealt with seriously. Let us understand that we're talking about people over 50, and people over 50 are the ones who have accumulated, hopefully, enough to invest. So, they are the major investors in any of the mutual funds.

Regulation of the mutual fund industry is of particular concern to CARP. Therefore, a partnership with the Small Investor Protection Association (SIPA) and CARP has written a report with recommendations on the reforms required to ensure the protection of small investors in the mutual fund industry. This report will be released shortly at a press conference.

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Our recommendation in the report reiterates the point we made last year to the provincial financial ministers who were examining the interprovincial framework on securities regulations. What we want to see is the creation of a single national regulatory agency jointly administered by the provincial, territorial and federal governments. In this way, harmonization of securities regulatory standards can be achieved across Canada, and this will ensure that investors are protected. Canadian investors must feel protected regardless of where they live. A Canadian is a Canadian. Regulations should follow investments across provincial lines. I must point out that Premier McGuinty and Finance Minister Sorbara have both endorsed the establishment of a national regulatory agency.

Before I close, I must comment on the selection process of this committee. It is my understanding that it

did not permit all of those who expressed interest in appearing before them to do so. This is not the first time that CARP has encountered this undemocratic procedure by legislative committees, and it is undemocratic indeed. It brings into question the validity of the consultation itself.

As an expression of our opposition to this policy, we actually debated whether to appear before the review committee at all, assuming we would be selected. But as you can see, we decided to do so, because our message is important. Our goal is to work with governments in a constructive way, and I trust that our remarks will be accepted in that manner. Thank you.

The Chair: Thank you for your presentation. I want to just point out to the committee and to you and those in the audience here that all persons who applied before the deadline were accepted for these hearings. There were some, however, who, given that opportunity, chose to withdraw. But everyone was accepted who applied before the deadline.

Our first round of questioning—we have about three minutes per caucus—will begin with the government.

Mr Milloy: Thank you very much for your presentation. I think what is very important in your presentation is that you draw the link that this isn't about people with suits on Bay Street but this is about the small investors, the pensioners and individuals like that. I just wanted to, first of all, applaud the work that CARP is doing in raising this awareness and ask about any specific steps you're taking to try to turn this into a doorstep issue. We weren't going around in the federal campaign talking about a national securities regulator. Yet, as you point out very forcefully, that probably has a lot more to do with the pocketbooks of average Canadians, especially those who are in their retirement years, than a lot of other issues.

Ms Morgenthau: First of all, we have put together a very good brief on giving small investors a fair chance. This will be released at a press conference coming up in September, to which we will probably invite some of the ministers. But it is essential that the consumer be the one you look at. It is essential that the recommendations we make are looked at with gravity. There are so many out there for mutual funds, for stocks and bonds—this is all economics. I remember that the first thing my economics professor ever said to us as students was, "Ladies and gentlemen, everything, but everything, depends upon economics." I was a 17-year-old girl with stars in my eyes, and I thought that he was awful. But life has taught me that it is all economics.

So what we do here is to make sure that the economics of your parents, your grandparents and the sandwich generation, don't get messed up, that the money they worked so hard for doesn't go for fees, doesn't go for anything that isn't disclosed. If we all keep our eye on the consumer, which we all are and which you will be, as God gives you years—this is important. We have to look at the consumer and protect them, because they really don't know what fees are out there, whether it's a good investment, whether it isn't. If you have an adviser who

doesn't look to you, then you have an adviser who is going to play you false. That's what this committee is all about.

The Chair: We'll move to the official opposition, Mr O'Toole.

Mr O'Toole: We both have a quick question, Mr Barrett and I.

SIPA sent us a report speaking to the issues you bring to our attention: retired persons. This is Hayward v Hampton Securities. She won in a lower court, and it was overturned in a higher court. It took her from when she was 80 to 92 to get a decision on something that affected her source of revenue. One of the most important considerations of this committee is the potential separation of the judicial functions of the Ontario Securities Commission from the regulatory functions. Do you think it would be better served to have the disputes resolved in a different forum?

Ms Morgenthau: Yes, I do, actually. I'm sure that everybody disagrees with me, but I think that the Ombudsman and arbitration on a lower level, first of all, would be much easier on the consumer.

Mr O'Toole: Less expensive.

Ms Morgenthau: And much less expensive. I think we should look to making sure that it is a good form of arbitration. Courts, as you said before, are very expensive, and the only ones who really make the money are the lawyers. I don't have a lawyer in my family, so I really am not interested. But you know what I'm saying. Basically, if we can do it on a low level, on a level of arbitration, where the Ombudsman really must come in, then that's good. But you have to have enough ombudsmen. You cannot have one in a province. You have to have a true amount. If we can do that, we're away with the wind.

Mr Barrett: Much of our discussion has been on regulation and enforcement. You mentioned fees. Do you feel there is much information or education?

Ms Morgenthau: No.

Mr Barrett: I've got a few brochures here. There's a picture of a nice cedarstrip boat here and a number of people with grey hair, like myself. In the small print, fees and commissions are mentioned. People who want to know about it are directed to the prospectus.

Ms Morgenthau: I think you're 100% right. I think it is something that never seems to come forth. You don't know if it's front-ended; you don't know if it's back-ended; you don't know what they're charging; you don't know whether the next level is charging; you don't know who gets what or why. If you're informed and you know these fees and you agree with them, fine. But if you think that you're getting a free ride, you're not.

The Chair: We'll move to the NDP.

Ms Morgenthau: Hi, Mr Prue.

Mr Prue: How are you today?

Ms Morgenthau: Pretty good.

Mr Prue: Excellent. My question comes from page 5 of your prepared statement, wherein you write, "What we want to see is the creation of a single national regulatory agency jointly administered by the provincial, territorial

and federal governments." I'm just trying to get my head around how you envisage this happening. I think the closest thing I can think of is probably the Criminal Code of Canada, which is an act of Parliament, the federal government, but it is administered in each of the provinces and territories so that the judges, lawyers and courts are a provincial responsibility. Is this what you see: having a federal law related to regulation of stocks and securities but provincially run like the courts are run? Is that what you're recommending?

1610

Ms Morgenthau: I think the mechanics of this have to be something that people sit down and work at. It's very difficult for the provinces to give up anything, as we all know. But when you have an investor in Ontario who has invested in Vancouver and it has gone sour, do you know that you have to go out to Vancouver?

Mr Prue: Yes.

Ms Morgenthau: That's ridiculous, isn't it—first of all the money that's involved and everything else? So if we can get ourselves somebody at the top whom you can go to with your complaint and say, "Look, I invested in Vancouver in good faith and all of a sudden I have a bad deal, but I can't go out to Vancouver." Do you know what happens? That bad deal stays out in Vancouver, you lose the money in Ontario and life is very cruel. So let's work at something we can do that will put us together and say, "We want it for the consumer. The consumer is actually the person we should be looking at." I think if we get someone in a committee who is at the top and put on the committee somebody from every province and territory, maybe that will work. No province really wants to give up anything, so we have to make it plausible and something they will do, not only for them but for the consumer, for their people. Maybe that's idealistic, but then what's CARP all about?

Mr Prue: Exactly.

The Chair: Thank you very much for your presentation.

Ms Morgenthau: Thank you very much for having me, and don't forget that everybody has to be able to come and say what they want in the ideal forum.

ROBERT VERDUN

The Chair: I would ask Robert Verdun to come forward, please.

Mr Robert Verdun: Thank you for hearing me. Winston Churchill said in 1940 to Franklin Roosevelt, "Give us the tools and we will do the job." As an investor, I'm asking you to give us the tools so that, as much as possible, we in the marketplace can do the job, because we don't want to rely unnecessarily on bureaucrats.

Self-regulation can work if the organization in charge has the right tools and the right direction. Certainly self-regulation works very well in the real estate industry and, Mr Prue, there are huge numbers of complaints in the real estate industry and they get resolved. That's the target that I think you need to do. Let's make sure that the IDA

works, and if it doesn't, then get something that does work so that those kinds of complaints are dealt with efficiently. The marketplace will do it, because there are lots of agents and brokers who will complain about their colleagues because they don't want to endure unfair competition. That's what happens in the real estate industry all the time. So self-regulation really can work.

My bigger concerns, though, are about the whole issue of corporate governance and how investors can do a better job of regulating the company. My biggest experience was fighting with the TD Bank all the way to the Supreme Court of Canada over the shareholder proposal system. I lost the battle but won the war. It was a very expensive procedure and I won't do it again, but corporate governance in this country is much improved and I'll take some of the credit for that. Other people have been involved as well. But there's a good example of how the market can regulate itself. So we do have much more responsive corporations in terms of corporate governance through the shareholder proposal system. Corporations do not like having to be held to account that way, because the shareholders do have the direct authority of the board of directors on a referendum basis. So that works.

What doesn't work in this country is that there is no place for me to turn when I have a significant problem. For example, right now Manulife and Sun Life, the big demutualized insurance companies, are abusing participating policyholders terribly and there is really nowhere to turn. That just did not get addressed properly in demutualization, and there is nowhere to turn. The OSC would be useless in its current attitude.

There is a really egregious example, where I just finally had to sell my shares. An organization that started out as Municipal Trust Co, became Municipal Financial Corp, became Municipal Bankers Corp, became Newco, and at every stage of the way the people who controlled the company enriched themselves and hurt the shareholders. Again, nobody paid any attention at the OSC. I tried to get them to do something about it. This is an organization where the insiders were involved in vanity publishing, among other things, that had nothing to do with the business they were in. They continued to spend huge amounts of company money on their own company for providing services to the public company, and there wasn't anywhere to go on it.

The problem I also see is that the foxes are in charge of the henhouse. You're going to hear from Purdy Crawford tomorrow, and Purdy Crawford, I respectfully submit, is one of the worst examples of someone abusing the position that you can have in big business.

He was CEO of IMASCO, Imperial Tobacco's holding company, which, in 1987, bought Canada Trust. Under the law, Canada Trust was supposed to have 35% of its shares widely held. The federal government gave them a 10-year exemption to comply, and Purdy never intended to comply. He kept asking for a permanent exemption, and finally, on the last day of that 10-year period, they created the fiction of 35% of the votes being

cast by a little class of preferred shares. Have you ever heard of voting preferred shares? Well, it was a farce. I owned a bunch of them and I never had a vote. When he came to sell the company to TD, there was no vote. The whole function of the law which was supposed to be—the 35% was set so that the dominant shareholder at least had to put it to a vote and had to get more than 67% approval to do a major transaction, selling the company. He never had to do it, and he got away with it because he's Purdy Crawford.

This is what I see happening. Nortel's a good example. After the greatest pump and dump in Canadian history, perpetrated by John Roth, nothing happened. The board of directors is still there. At the very least—and this is coming down to my key point—there should have been a supervised election of a new board of directors.

As I'm sure you're all aware, there's no such thing as corporate democracy. Boards of directors are all elected by acclamation. They're all insiders, they're all members of a nice, cozy social club, and real investors are not welcome. Boards of directors do not represent individual investors; they represent the interests of the corporation.

Mostly, they do a good job. I'm not casting aspersions widely on this, but the problem is, when there is a bad situation, like Nortel, they stay in office. In fact, if there had been a supervised election of a new board of directors, we wouldn't have had the next step, which was Frank Dunn doing a dump and pump. I was there in 2002 at the annual meeting. I questioned them for almost three hours, because I kept seeing things in their financial statements that showed the company was actually doing better than they said it was. I had no idea how much I was right on the money. That's what they were doing. They were grossly understating their position so they could return to profitability more quickly and just do the reverse of what they had already done under John Roth.

Again, there's no one to turn to on that. I held them to account in the marketplace, but this was a case where there needed to be a tribunal of some kind which is accessible, affordable, expeditious and, I would add, sympathetic. In my battle with the TD Bank at the Supreme Court, thank goodness the Supreme Court of Canada was sympathetic. But the judge at the first level in Kitchener and two of the three judges at the Court of Appeal of Ontario basically said, "Run along, sonny. You can't be playing in the big boys' sandbox. You don't belong here." Fortunately, as I said, I prevailed in the end and the Supreme Court of Canada said shareholder proposals should be taking place. That is exactly what the law intended they would do: that shareholders can have a direct role in improving the corporate governance of the companies in which they invest.

There's my basic position. I hope there's time for a few questions.

The Acting Chair (Mr Bruce Crozier): We have three minutes, so I think what I'd like to do is have the official opposition ask one question.

Mr O'Toole: I think it's rather unfair. A very interesting presentation—

The Acting Chair: What's unfair?

Mr O'Toole: I'll just say it's hard to frame the question here in three minutes.

Mr Verdun: Fire away, John.

Mr O'Toole: Just quickly, you seem to be more on the consumer advocacy side of the issue. A specific question might be, for fairness and the perception of fairness—I think Mr Brown and everyone else has said it, including the most recently tabled Coulter Osborne report. The separation of the judicial function: Is there a way, in your experience, you can see that that could be handled but still retain some of the insightful, business-related acumen necessary to make those kinds of rulings and informed decisions? What would that be?

1620

Mr Verdun: Absolutely. I definitely see this is the direction to go. With the separation what happens is you have two dynamics. Now, you have the investigators who don't have a judicial role. So they have a mandate to really get out there and dig into it and find out what actually happened. They can be a little biased. They can really dig into it, because it's somebody else who has to sit in judgment. Then, your people who do sit in judgment need to be specialists, and they need to be carefully chosen so that, as I said, they're sympathetic as well to the point of view of the individual investor.

If you have that separation and have the right people in place, then the things that I'm talking about will get done, and an investor will have confidence and reason to involve the OSC so that some of these things—like I said, with Nortel, if I had known there was an agency to go to with what I saw in 2002, I would have gone and said, "I think these guys are now intentionally understating their finances." But there was nobody to go to.

Mr O'Toole: I guess my point is the retired justices of the commercial list courts probably, if there isn't enough workload volume, would be familiar with the issue; had in many cases practised law in the area and then latterly on the bench. I just feel that needs to be stated, because they're going to say, "Well, who can actually understand this myriad of regulations and rules and players," as was described earlier by Ms Urquhart.

Mr Verdun: Well, that's absolutely essential, because in my experience of going from the Superior Court of Justice in Kitchener to the Court of Appeal to the Supreme Court of Canada, it was amazing how little some of those people actually knew about business. I mean, they can't know everything. There were some incredibly stupid comments and questions that came out in that process.

The Chair: Thank you for your presentation this afternoon.

CANADIAN BANKERS ASSOCIATION

The Chair: I call on the Canadian Bankers Association to come forward, please.

Mr Warren Law: My name is Warren Law, and I am the senior vice-president and general counsel of the

Canadian Bankers Association. I'm joined today by Terry Campbell, who's CBA's vice-president of policy. On behalf of Canada's banks, we would like to thank you for the opportunity to provide you with comments about the Crawford report.

Although we have been following the committee's deliberations since it was established and have provided a number of detailed comments on a range of issues, most of which are of a technical nature, we will be focusing our comments today—and we have in our written submission which we've provided to the committee—on three matters: the need to establish a single securities regulator for Canada; the importance of implementing the proposed Uniform Securities Transfer Act; and the civil liability for disclosure in the secondary market.

Terry will be addressing the issue of the need for a single securities regulator in Canada, and I will follow with comments on the latter two points.

Mr Terry Campbell: The CBA is a strong proponent of fundamental reform of the securities system in Canada, for a number of reasons. The current system is too complex and too slow in responding to changes in the marketplace. There are gaps in enforcement across the country, and that hurts investors and consumers. Businesses and registrants face conflicting rules, as well as costly duplication in having to deal with 13 different provincial and territorial regulators, and there's no one voice speaking for Canada internationally on the securities issues.

We get a sense that there's a consensus across the board about the need for a reform of the system, but there are different views as to how those improvements should be achieved. In our view, creating a single securities regulator would really be in the best interests of all Canadians. It would be in the best interests of investors seeking the best possible protection and return, in the best interests of entrepreneurs and small businesses seeking to raise capital, and in the best interests of employees of companies that depend on the capital markets for financing and for growth.

So we strongly support the review committee's report recommendations. Its number one recommendation, indeed, is that governments across the country work together to create a single regulator. We do note that Ontario has proposed a single regulator model for Canada, and we think that's a very positive contribution to the debate. I'll return to that in just a moment.

As you know, there's another model on the table. It's the passport system, a model where each province would recognize the rules of the other provinces but where individual securities commissions would remain in place. I'd like to share with the committee some of the concerns we have about the passport model and how it compares to the Ontario system.

Briefly, as we understand it, the passport model would not result in any meaningful efficiency improvements over the current system. It would leave all the infrastructure, all the costs, all the fees of the current multiple-regulator system in place across the country. We think it would result in confusion for investors and consumers. It

would leave large and small businesses having to deal with a continuing lack of uniformity, rules and standards. In our view, it would also effectively forestall future efforts to achieve more fundamental reform; that is, moving toward a single regulator.

In our written submission, we've highlighted some of these comments in a little bit more detail. I'd just like to share a couple of illustrative examples with you.

If we look at investor protection first, far from simplifying the current system, as we understand it the passport model would actually entrench a confusing and overlapping system. It would give both the home regulator—the jurisdiction of the company—and the host regulator—where the investor lives—a role of enforcement, with either being able to take action that they deem appropriate. That means investors would face four possible outcomes if they felt there were violations in the securities law: Neither the host nor the home regulator could take any action; or the home regulator could take action but the host wouldn't; or the host regulator would take action but the home wouldn't; or both would take action, either independently or perhaps together. For us that doesn't seem like a very clear and straightforward approach for consumers or investors.

A second concern we have, just an illustrative concern, is that in our view the passport system would entrench the current problems we see of regulatory inconsistency across the country, regulatory burden and unresponsiveness to changing market conditions. The decision-making model in the passport system would either be by consensus among 13 different governments, or issues would come to a vote, but only in a non-binding, consensus kind of way. In addition, each province would retain its ultimate sovereignty for legislation, where individual securities ministers across the country would only be required to make best efforts within their own provinces to see if they can improve their securities legislation. This is kind of where we are already, and we see it as a recipe for some continuing problems.

For its part, Ontario is proposing a phased process that would ultimately result in a single regulator with significant regional presence. As we understand it, Ontario would agree to a version of the passport system as a first step if the other provinces would also commit to moving to a single-rule, single-fee, single-regulator structure within a time frame—four years, we understand.

We've been of the view that there's no structural, legal or other impediment for the provinces to move to a single regulator right now, so we have some concerns that accepting a passport system first may cause unnecessary delay. Having said that, we do recognize that some provinces are not ready to take that step to a single regulator. So we think the Ontario proposal is actually a useful, constructive, bridge-building kind of approach, and we think it merits support.

The key message we really want to convey is that it's so important that we not lose momentum. We've made a lot of progress on that. The opportunity for a revised system is within our grasp; we can't lose momentum. We've been at this round of discussions for nearly three

years. If the momentum is not to be lost, it is imperative that provincial ministers redouble their efforts to achieve an agreement. We're encouraging Ontario and the other provinces to press on and try to find ways that those principles which have been articulated—that is, a single-regulator, single-fee, single-rule system within a time frame—can be made a reality.

But what happens if that doesn't happen? What happens if they're unable to reach agreement and we reach an impasse? First, the pressure for fundamental reform of the system is not going to go away. There's just too much change in the marketplace, both domestically and internationally. That pressure for change just will not go away. Second, if there is an impasse in one venue, then solutions are going to need to be found elsewhere. In this regard, I would note that there are other models out there. For instance, the Wise Persons' Committee, after considerable research, reflection and consultation, has recommended a federal securities commission, albeit one with significant provincial input.

So we're encouraging the provinces to press ahead on this front, and we would certainly urge this committee to recommend likewise.

I'm going to turn it over to my colleague Warren for a couple of other comments and some concluding remarks.

1630

Mr Law: Turning very briefly to the two other issues that I'm dealing with, first the Uniform Securities Transfer Act, we strongly support the report's recommendation that a USTA be put in place. The Canadian securities settlement system handles an enormous quantity of transactions on a daily basis, and it is critical for the economy that the system operate efficiently.

With technology, the holding and transfer of these securities is now done electronically, and the system isn't based on the physical exchange of papers—share certificates—anymore. Unfortunately, our legislative regime still is. It's stuck in an earlier era, and it's based on paper certificates. It doesn't reflect modern practice, and it's out of step with the United States particularly, which has modernized its laws to deal with the electronic transfer environment. Indeed, I would suggest we are in danger of losing business to neighbouring states such as New York because of the antiquated state of our laws. So we urge the committee to support the Crawford report's recommendation that a Uniform Securities Transfer Act be implemented as soon as possible.

This is not "sexy" legislation, but I would suggest to you that it's really important, for the province to remain pre-eminent in the commercial world, to update our commercial laws for this—I thought I'd throw that word in just to get your attention on a relatively dry topic.

Finally, I'd like to briefly address the matter of civil liability for disclosure in the secondary market. The banking industry clearly supports, and we practise, proper disclosure in the marketplace. We feel strongly, however, that the civil liability amendments to the Securities Act, which were passed originally in Bill 198 but never made law, as they have been drafted, could

jeopardize the safety and soundness of our financial institutions, and I'll tell you why.

The amendments would impose a liability limit of up to 5% of market capitalization. This could mean that a bank with a market cap of, say, \$30 billion could be faced with a liability of up to \$1.5 billion for one instance of a misrepresentation or failure to disclose, albeit how innocent it might be. This potential liability goes well beyond serving as a reasonable deterrent and could open institutions to US-style strike suits and class actions.

Another important point about the proposals that have been made in this regard: We obviously have no problems with instituting a regime that protects investors in the secondary market, but we believe that the law in Ontario should be consistent with the regimes in other important commercial jurisdictions. The regime proposed for Ontario, I would submit, is not consistent with the law as it stands in the United States in many important respects. So we continue to feel strongly on this issue. We've taken this position ever since it was first proposed in Bill 198, and we take this position also with this committee.

Mr Chair and members of the committee, we thank you very much for providing us with this opportunity. If you have any questions, we're here.

The Chair: Thank you very much. We have about two and a half minutes per party, and we'll begin with the NDP.

Mr Prue: I think my question is going to relate to the passport system. I consider it kind of bizarre, personally. I think it's kind of a bizarre proposal that's before us.

How do you see us moving more rapidly, given all the political problems? We've had a number of people here today wondering if 13 jurisdictions can ever agree on anything. I have opined here today that if we had not had a medicare program all those years ago, we would be unlikely to have one today. How do you see this, fundamentally being a provincial matter, getting a national statute? How do you see us getting there? Nobody has been able to address that. I came up with, you know, maybe like the Criminal Code that is administered provincially—that's one idea—or there are a couple of joint jurisdictions under the BNA: agriculture and immigration. How do we get there?

Mr Campbell: It's an excellent question; it really is a good question. There are a number of different models on the table that people could consider. First of all, I would say that our sense is, if you compare it to previous rounds of discussion in the mid-1990s and earlier, we're further along than we have ever been before. What I take great heart in is that literally all the provinces across Canada now recognize that there's an issue here and they are dealing with it. This is very positive. There is momentum.

The issue, of course, is exactly your question: How would you get a single—there are a couple of different ways. The passport system—and quite frankly, we have a concern with this—says, "We'll try to come up with model and then each jurisdiction will go away and write its own law based on that model and then pass it." I think

our sense is that that would be very hard to achieve, and how would you keep that harmonized and uniform going forward in perpetuity?

Another model, and I believe it's the one that Ontario has suggested, is that you take a law, the best law that there is—and there's a lot of input out there; there's work going on on a uniform securities law—have one jurisdiction pass it, and then have every other jurisdiction simply incorporate it by reference. That way, you don't get the individual drafter saying, "I'm going to change this comma and that comma." Every province would simply adopt it by reference. Therefore, there are automatically uniform standards across the board.

Another way to do it would be—I think your example, sir, was the Criminal Code. You could have a federal statute that gets implemented at the local level.

There are different models out there. There's no one ideal model; otherwise, we would have settled on it. But, I can say, I think we have some concerns about the process laid out in the passport model. We just don't see that it's going to be a recipe to get not just harmonized legislation, because harmonized can be different in many respects, but literally identical, uniform legislation, so you don't have to spend a lot of time that could be spent on enforcement, for instance, worrying about, "Does this comma mean something different?" There are models out there, OK?

The Chair: We'll move to the government.

Mr Milloy: Thank you very much for your presentation. I wanted to talk a bit about the international context with, actually, all three of the items that you brought up. I know it's hard to quantify, but you get the sense that Canada is suffering with the fact that, as you say, we're still dealing in certificates while other regimes aren't; the fact that we have 13 different models. Do you have some thoughts on how much and to what extent we are losing out?

To come to your third section and the international context about liability, if you don't support the provisions and you're looking for something that's a bit more harmonized with the United States or other jurisdictions, what would be an approach that you think would be acceptable internationally?

Mr Law: I don't have any quantitative information to give you about where Ontario is losing out. Anecdotally, though, I understand that on numerous transactions that involve businesses in Ontario, lawyers very often have difficulties opining on various aspects of the transaction because of the fact that transactions are held by intermediaries and for various other reasons that are connected with the USTA. I would think that that alone would have a negative impact and would drive business to other jurisdictions where, in fact, under the laws, say, of New York, they could opine. That's just one example of where the USTA really has a practical impact on commercial transactions: the difficulties that lawyers have in giving opinions.

The Chair: Mr O'Toole?

Mr O'Toole: Under the Wise Persons' Committee report, there's a section on page 12 called, "Who Has the

Responsibility for Change? Addressing a Misconception." I'll just read here: "The history of provincial regulation has led to a misconception that the federal government lacks jurisdiction over capital markets. This is not the case. The federal government has the constitutional authority to pass comprehensive legislation regulating all capital markets activity within Canada." They go on and reference general regulations under subsection 91(2) of the Constitution Act, 1867.

It demonstrates to me that almost every presenter, even the stakeholders who are more for the client as opposed to the institutions, wants a single national regulator. I've heard it since I was a PA at finance in 1999 or whenever. It's still there. We support it. I don't think we have any problem amongst all of us. There's a lack of federal leadership here.

You're a federally regulated institution. What is their public policy position on this response by the Wise Persons' Committee, which they would be very well aware of? That's where the initiative has to happen. Why have they not taken action to solve this one part of a very large challenge? Without them, it won't happen. We can bark and quibble and they'll throw a health care dollar at us and tell us to take it off the radar screen. It's just ridiculous. There's a void of leadership there. But Paul Martin, in all honesty, talked about the bank merger issues and all that stuff. I wonder, do you get a sense that he might go there? That's where this has got to happen.

1640

Mr Campbell: I'd hesitate to speculate or try to speak on behalf of the federal government as to what their policy is. What they've said publicly is they're taking a very strong interest in this, to the extent of forming a very high profile committee called the Wise Persons' Committee. It had some first-rate people on it. That was a major step to take on their part. They came out with, I would say, a fairly gutsy kind of recommendation.

From our point of view, where the discussions are right now—like Yogi Berra said, "It's not over till it's over." The discussions are still happening among the provinces. That's where we're getting some substantive action right now. We're seeing proposals, we're seeing counterproposals. What we're saying is, let's see how that plays out. The provinces are acting on this. If we can come up with an agreement, that's great, because that's where the action is now. It's a little premature to say, "What if it falls off the table?"

What I can say is, as I said earlier, if the provinces, which are now actively in discussions—which is a good thing—cannot reach an agreement, then the pressure for change will not go away and the model you have in the book there has a lot to commend it.

The Chair: Thank you both for your presentation this afternoon.

WEISSGLAS MEIER
MEDIATION/ARBITRATION SERVICES

The Chair: I call on Weissglas Meier Mediation to come forward, please.

Mr William Weissglas: Last, but hopefully not least.

Mr Chairman, members of the committee, my name is William Weissglas. I'm a lawyer. I want to give you a little background so you'll understand why I'm here. I also possess a master of laws degree in alternative dispute resolution, and I'm presently the CEO of a mediation/arbitration firm.

Prior to October 2003, I was, for two years, senior legal counsel and head of the legal department at RECO, which is the Real Estate Council of Ontario. That's the Ontario government agency that administers the Real Estate and Business Brokers Act and licenses and disciplines real estate brokers and sales reps. One of RECO's *raison d'être* is to protect the public through an equitable marketplace.

Now, I'm not an expert in securities law, but I am an interested consumer.

One of the many things you're here for is to review the structure of the OSC and, by implication, the IDA. The Crawford report recommended the government should review whether to split the OSC's—and the IDA's—dual role as both a prosecutor and its judicial role of presiding over disciplinary hearings. The Crawford report said this dual role can give rise to "perceptions of potential for conflict or abuse," i.e. bias.

I'm appearing before you on a very narrow issue, and that's to urge you to support the recommendations that these two roles—adjudicator and prosecutor—be split and that a separate adjudicative tribunal, independent of the OSC, the IDA or any future national regulator, be created. It should be created to adjudicate securities violations and also for the restitution of investor losses. The rulings, of course, of this independent tribunal would be appealable to the courts. More importantly, the OSC or its national successor would still retain its investigative and prosecutor roles.

As senior legal counsel at RECO, I had the unique opportunity of being able to compare consumers' and stakeholders' perceptions of two different approaches to fielding complaints and obtaining justice.

One approach, which was the RECO complaints and compliance discipline process, was similar, although not identical, to the existing OSC/IDA system. Pursuant to the CCD process, a complaint was received by the manager of CCD after the complaint was reviewed and investigated by a number of RECO staff, after the respondent had an opportunity to rebut in writing the complaint. Then, and only then, if it was still determined that a contravention of the RECO code of ethics may have occurred, either the respondent was issued a caution for a minor infraction or, for more serious matters, an allegation statement was issued and the matter was referred to a CCD tribunal for adjudication.

The tribunal was composed of three realtors who were members of RECO and carried on their practices in a different jurisdiction than the respondent, because you didn't want to have them judging someone in their own area. The tribunal members were part of a panel of adjudicators chosen annually by RECO staff and directors.

In my department, lawyers acted as prosecutors at these hearings.

The second approach was for a complaint to be channelled to the real estate registrar for an alleged abuse of the Real Estate and Business Brokers Act. The registrar's staff would again investigate, and if a contravention of the REBBA appeared to have been committed, the respondent was invited to appear before the registrar to explain why he should not be put on terms and conditions, if it was a minor matter, or for a major breach, why there shouldn't be a proposal issued to rescind his licence.

If the respondent refused to accept the terms and conditions in a minor matter or, in a major matter, if the registrar remained unconvinced of the respondent's innocence, a proposal to terminate the respondent's licence was issued by the registrar and the matter would then be referred to the Ontario government Licence Appeal Tribunal, called LAT. My department lawyers would act as prosecutors for the registrar at LAT.

LAT is an independent tribunal, set up by the Ontario government, which has the power to validate the registrar's proposals to revoke a respondent's licence or make any other terms and conditions it deems appropriate. LAT hears cases referred to it not only from RECO but also from numerous other provincial agencies, such as TICO, which is the tourist industry council, OMVIC, the Ontario motor vehicle council, etc. LAT's part-time judges—and I emphasize that—are independent lawyers who are not necessarily experts in specific matters being heard before them, but they usually do have an expertise in providing natural justice to the parties.

What I would like to provide you with is some of my observations of the two different hearing systems, by way of anecdotal evidence.

For clarification, through one system, the CCD system, a complainant is brought before a tribunal made up of industry members who are required by law to be members of the prosecuting agency. Through the other system, LAT, the complainant is brought before a tribunal made up of a non-expert, independent third party who is appointed by the Ontario government.

In a CCD hearing, if the tribunal found the respondent not guilty or rendered a less-than-substantial fine or verdict, the complainant, time and time again, would voice the complaint that the panel had been sympathetic to the respondent, i.e. biased, because they were also real estate brokers, just like the respondent.

On the other hand, if the CCD tribunal rendered a substantial monetary fine or verdict, the respondent would voice the complaint that his or her peers had been unfair or biased because they were jealous of his success—because everyone knows that successful realtors don't have time to serve as tribunal members—or that the tribunal members were unfairly making an example of him or her, when they knew this type of thing was rampant in the industry and even occurred in their own brokers' offices. As well, and surprisingly, the complainant would often be annoyed too, because the tribunal

did not order restitution to him or her for the damages he or she had suffered, because the tribunal didn't have the authority to do that. The same complaints in the CCD system about alleged bias would come up when we asked for adjournments and when costs were ordered.

1650

Surprisingly, in the LAT hearing it was very rare indeed that the complainant or respondent complained that a tribunal member was biased, because the tribunal member was viewed as being an independent, impartial, third-party adjudicator with no axe to grind and no special sympathies. As well, CCD tribunal verdicts were appealed much more frequently than LAT tribunal hearings.

So one asks, was there any more actual tribunal bias in a CCD hearing than in a LAT hearing? From a legal point of view, and I stress this, the answer is a resounding no. There is a recent case, Barrett v Layton, which was a motion for retrial heard this January by the Superior Court of Justice. The Ontario court states, "The test for disqualifying apprehension of bias is, 'what would a reasonable and right-minded person, applying himself to the question and in possession of all the relevant circumstances, viewing the matter realistically and practically and having thought the matter through, conclude.' The grounds for disqualifying apprehension of bias must be substantial. A real likelihood or probability of bias must be demonstrated. Mere suspicion is not enough."

Although there may not be a legal bias, as Robert Kyle so ably states in his paper that he'll present to you tomorrow, "Perception is critical. A perception of bias is noted with respect to the OSC's and IDA's role as policy-maker, investigator, prosecutor, adjudicator and sanctioner."

For this reason, I'm urging you to support the recommendation that the OSC's roles as adjudicator and prosecutor be split and a separate adjudicative tribunal, independent of the OSC or any future national regulator, be created.

In today's world of instant information, instant communication and disclosure legislation, the average investor-consumer has the tools, the knowledge and possibly the right to demand that not only should there be an absence of actual bias in the OSC/IDA role, but also an absence of any perception of such bias. It is incumbent upon you, the members of this committee, as the elected representatives of Ontario's consumers, to make certain that their wishes are adhered to and that consumers are afforded all the encompassing protection they deserve.

Thanks. Sweet and short.

The Chair: Thank you. We have about three minutes for each party. We'll begin with the government this time.

Mr Berardinetti: I'll try to split my time with my colleague here. This adjudicative tribunal that you want to see or are supporting from the report would be made up of lawyers or of—

Mr Weissglas: Competent people, part-time. What I'm envisioning is almost a supertribunal, because,

remember, most of the people appearing before that will be the public, the consumer who's not sophisticated. A lot of times they just want to be heard, and anyone who's got a sense of natural justice can probably do the job.

Mr Berardinetti: But the OSC would be the prosecutor—

Mr Weissglas: And investigator.

Mr Berardinetti: —and investigator. The persons would be defending themselves, and the adjudicative role would be covered by competent lawyers who would be part of this tribunal.

Mr Weissglas: That's right, and the tribunal would become more competent because, over the years, the people in charge of appointing these people would weed out the chaff from the wheat.

Mr Berardinetti: Thank you.

Mrs Jeffrey: Thank you for your passion. It's good to have at the end of the day. It's been a long day.

A quick question: You have a very narrow focus and you admitted that at the beginning. Is there anything else you would recommend about the commission? It clearly has a huge administrative function. Is there anything else that doesn't work well, in your opinion?

Mr Weissglas: Many things, but I feel that we don't have the time and I don't have the expertise to go into a number of other areas. I would love to, but I'm not prepared to do that today and I don't think you're prepared to listen to me.

The Chair: We'll move to the official opposition.

Mr Barrett: Very briefly on the separation of the adjudicator and prosecutor: By and large, is this the case in the United States or other—

Mr Weissglas: It's not even the case in Ontario.

Mr Barrett: I know that, but is the separation [inaudible]?

Mr Weissglas: I'm not expert enough to tell you, but anecdotally I would say they're usually about 10 to 15 years ahead of us. So they're really working toward it and they're very sensitive to it.

Mr O'Toole: Just an observation: In 1996, I think, in the United States that was separated from the Securities and Exchange Commission. It seems to me that since 1996 we've had more problems. If you look at the disclosure requirements for accounting principles and all the rest of it, that's where the new insiders are aware of how to mask, display, report—

Mr Weissglas: But you must remember that you still have the securities commission doing the investigation.

Mr O'Toole: I think the separation would be better—I want to make that clear—for perception as well as reality. The roles are quite different. These are the roles. These are what we will prosecute. Right now there's some blurring of that vision of the judiciary.

Mr Weissglas: Absolutely. I'm sorry; I misunderstood what you were saying. Yes.

The Chair: We'll move to the NDP.

Mr Prue: I don't think I disagree with a single word you're saying. Mr Brown was here earlier today. Did you see him? Were you here?

Mr Weissglas: No, I unfortunately didn't have the pleasure. I was busy.

Mr Prue: In his report he presented both sides of the argument, but, quite bluntly, to me he appeared to want to keep things the way they were. I have some considerable difficulty with that, because I will never believe a two-cornered justice system like we have now works nearly so well as a three-cornered one, where you have an independent adjudicator deciding.

The example you gave of real estate works very well. I'm more familiar with immigration. They took that sort of thing and put in an independent adjudicator that took away all of the sting.

I don't understand why business people or anyone would oppose this. Do you have any explanation why the Ontario Securities Commission wants to hold on to a

vestige of the past that everybody thinks doesn't work anymore?

Mr Weissglas: I don't want to commit a slander, but I can just tell you that if you polled a lot of the administrative agencies in Ontario, they would love the idea for the adjudicative part to always go to tribunals that have nothing to do with them, because it takes the heat off. I am at a loss to understand the reactionary attitude I have perceived. But that's just me personally.

The Chair: Thank you for your presentation this afternoon.

Mr Weissglas: Thank you for your time.

The Chair: This committee stands adjourned until 9 am tomorrow.

The committee adjourned at 1658.

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Standing committee on finance and economic affairs

Ontario Securities
Commission Review

Comité permanent des finances et des affaires économiques

Étude de la Commission des
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Thursday 19 August 2004

*The committee met at 0901 in room 151.*ONTARIO SECURITIES
COMMISSION REVIEW

FIVE-YEAR REVIEW COMMITTEE

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will come to order. Good morning, everyone.

I would call on the five-year review committee to come forward, please. You have one hour for your presentation. You may allow for questions within that one hour, if you wish. I would ask you to state your name for the purposes of our recording Hansard.

Mr Purdy Crawford: My name is Purdy Crawford. With me this morning is another member of the committee, who was, at the time the committee was formed, general counsel to the Ontario Securities Commission, Susan Jenah.

I want to refer briefly to the five-year review committee. I think I've got to make a few comments and then Susan and I will be open for discussion and questions from the members of the committee, if that's appropriate, sir.

The Chair: It is.

Mr Crawford: We're delighted to be here before this committee. It was quite an interesting process chairing this committee. It was so broad in scope, reviewing all the rules of the commission, the Securities Act and the regulations. We were probably too ambitious and tried to cover too many areas.

The other members of the committee, if I may—they can't be here this morning. It's always a bit unfortunate that these things become recognized by the name of the chair, because it was a strong committee and all the members played a very significant role in formulating the recommendations: Carol Hansell; William Riedl, who was then head of Fairvest and is now retired; Helen Sinclair, chief executive of Bankworks; David Wilson, chair and chief executive officer of Scotia Capital and vice-chair, Bank of Nova Scotia; and, as I mentioned earlier, Susan Jenah.

The committee was a volunteer committee; it was not paid. I outline in what I've called my opening remarks—I'm not going to read them but I think you are getting

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Jeudi 19 août 2004

copies—how many meetings we had and things like that. We had no budget and very limited staff but they were very good people: Anita Anand, who is here this morning, from the faculty of law at Queen's University; Rossana De Lieto, senior legal counsel for the OSC; Krista Martin-Gorelle, senior legal counsel for the OSC; and Janet Salter of the law firm where I am counsel, Osler, Hoskin.

As I think probably the material tabled with you by David Brown yesterday indicates, quite a number of our recommendations have been enacted. I'm not going to deal with those. I want to deal with about seven major subjects.

The first one—and I'm not going to spend long on it, although in terms of its importance for Canada, I think it's fundamental—is the need for a single securities regulator. I know it's a very broad issue and it has been discussed backwards and forwards. I won't take the committee through what we said in our report or the summary of what we said in my opening statement except to say that I agree with Minister Phillips that it's a very important issue, long term, for Canada. Whatever this committee can do to further that approach of one securities regulator, from my perspective and the perspective of my committee, it would be welcome and applauded.

I was not here yesterday but I had a briefing on the telephone last night about the proceedings of yesterday. The next item I want to mention is the structure of the Ontario Securities Commission, which I gather was discussed at some length yesterday. We considered this issue as one of many issues we looked at in our report. It was fairly early on and we concluded that there was an issue as to perception, at least, as to the fact that the commission had judicial functions as well as investigation and policy-making functions.

We recognized that the structure was legal—I did have a chance to read Mr Brown's statement yesterday, or at least an earlier draft of it—under the Supreme Court of Canada decisions, but we felt there was a perception issue. The furthest we went in our report was to say that we thought it should be looked at more carefully. I believe Chairman David Brown of the commission appointed three people to look at that. I understand that their report and a couple of opinions were tabled here yesterday, and you people had an interesting discussion about it. I think it's hard for me to be definitive one way or another. I see in David's comments that he raises both

sides of the issue. We did not take a position as a committee. We just thought it should be looked at and, thanks to you people and others and this public policy forum, it is being looked at, but I'd be happy to answer questions about it at the appropriate time as we move forward.

0910

Another issue we did spend quite a bit of time on is related to the governance of mutual funds, and this is covered in my opening remarks, which you have. We made quite a number of detailed recommendations, but generally we recommended that there should be a majority of independent directors on the trust, if it was a trust, or on the board of mutual funds, if it was a company. They should have the right to appoint their own counsel and get their own independent advice.

These recommendations were formulated before the developments in the US that we've been reading about in the last year or so, in which some Canadian firms have been involved through their US operations. As I understand it, and I say in my opening remarks, I believe that some investigation is going on about mutual funds in Canada on the part of—I don't know whether it's the CSA or the OSC.

We released our draft report for public comment: So what should the function of these independent directors be? We said, obviously, if you've got to look at conflicts between the manager and the fund, the managers are there to make money. Obviously, if they can do a good job managing the fund, that helps them make money, but there's clearly a conflict of interest there.

So we thought in the draft report that probably the most important function that the independent director would have, in addition to dealing with conflicts, was reviewing the performance of the fund. After all, there are two big issues in mutual funds: the cost of the performance and the results of the performance. When we came to the final report, we backed off a little bit and didn't talk specifically about reviewing the performance of the fund.

Since then, you can argue whether there should be an independent governance structure. The SEC had an independent governance structure before and they've gone, in their recommendations or rules, to strengthening that structure, with a majority of independent directors—whether this is law yet, I don't think it is—and with the chairman of the fund being independent, in addition. We have investigations going on in Ontario, and we'll see how this unfolds.

I just think if you had a pension fund and you put money with a money manager, you normally are pretty careful in monitoring the performance. The most efficient way for most individuals to invest, because of a question of know-how, is through mutual funds. On the whole, performance of mutual funds has not been outstanding. It's an issue and something should be done about it. We said that in our report.

I want to make it clear that, first of all, I did a study once a few years ago on the independence of securities analysts and we concluded there—and I haven't done

enough study here—that on the whole the integrity of our securities analysts and the integrity of our people who manage, run and promote our mutual funds is of a pretty high standard; there are always exceptions. I've certainly said it about corporate governance on more than one occasion. We have a higher standard of corporate governance in Canada, starting with the Dey report many years ago, than they have in the US, and I say this based upon a lot of US experience. I'm inclined to think it's the same with respect to mutual funds and with respect to securities analysts. So I'm not knocking our people. I just say we probably need a higher level of protection for the many individuals who invest in mutual funds.

The next item I want to refer to relates to civil liability for the secondary market disclosure. Way back in 1997, there was an Allen committee that recommended civil liability for certain types of instruments in the secondary market. As I'm sure you've been told, more than 90% of the activity and trading and dealing in securities is in the secondary market. It didn't seem to make any sense to me that there were all kinds of liabilities relating to a prospectus and IPO but no liabilities as such relating to trading in the secondary market.

In the US, through interpretation and otherwise—I think it's a phrase in some of the regulations called "manipulative and deceptive devices," sort of a fraud test—the courts developed liability in the secondary market. That has not happened in Canada to any great extent, if at all. I was the CEO of Imasco when the report came out much earlier about this—many in the Toronto Stock Exchange—and actually we were probably one of the few companies in Canada that wrote supporting the creation of liability in the secondary market. It's been around a long time. When it came to our committee looking at it, we decided we wouldn't try to reinvent the wheel. It's a complex issue and it can be done in many different ways and the devil is always in the details.

We would simply encourage the legislators, the policy-makers in Canada, you people, to get on with this and get it enacted and get it to become law across Canada. I believe the CSA has agreed that should be the approach. To me, it's a very important initiative in terms of investor protection. I know there are questions of how much liability there is. Some people will argue—probably my good friend Mr Anisman later today—that it goes too far in removing protection for the investor and others will argue it doesn't go far enough in removing protection for the investor. I say let's get on with it and turn the page and move forward.

The other item I just want to briefly touch relates to efficient regulations. We made some recommendations in the report relating to rule-making. Our recommendations were to make it conform more to the rule-making in other provinces.

Probably one of the most important recommendations we made in this respect was that if the government, the appropriate minister, decides not to approve a proposed rule, there should be a statement as to who made the submissions opposing it and some reason why they

weren't going to approve it, just to open it up to public scrutiny.

0920

There are two other items my colleague recommends that I bring to your attention. One is—we dealt with this in our report—the Uniform Securities Transfer Act. You'll be hearing about that later today. This is a piece of proposed legislation that nobody basically disagrees with. It's not controversial but it's very important in terms of mortgaging, hypothecating, pledging or transferring securities. There is a uniform system in all the states in the US. It has been worked on here. It'll make our capital markets more efficient. It will bring business to Ontario, because they're working with an old system and it's hard to give legal opinions and the transfer or the mortgage or the hypothecation is appropriate. You'll hear about this later today; I think there are one or two.

I've been a supporter of this. I hope you would recommend to the government that it proceed with finding some way to get some legislative time to get this enacted in Ontario.

Finally—this happened after our report—Gordon Thiessen is here today. He's the former head of the Bank of Canada, who heads up the Canadian Public Accountability Board. This is an organization that was established—flowing from the Sarbanes-Oxley Act—to supervise to some extent the accounting profession in Canada. It was set up as a nonprofit company. It needs statutory support. They now work with agreements between audit firms and the public accountability board. Mr Thiessen will be outlining to you later today the necessity of some statutory support. It's not a matter we dealt with, but it's a matter that—I can't speak to the details but I agree that statutory support is needed, and I'd support Mr Thiessen in that respect.

That completes my comments.

The Chair: Thank you. Did you have any comments at this time?

Ms Susan Wolburgh Jenah: Not at this time.

The Chair: OK. We have about 12 minutes per party for questioning. We'll begin with the official opposition.

Mr John O'Toole (Durham): Thank you very much, Mr Crawford. It's a pleasure to meet you and a pleasure to see you in person, presenting what you feel are the important aspects of your committee's work. Certainly it forms the basis for everything that we're doing here. That's the purpose of the review. Your suggestions, I believe, are the ones we should spend the most time commenting on.

Of anything I've heard to date—I can only speak for myself, but I do listen to others—I don't think there's any disagreement on having a national regulator—there's no question—in the climate today. There are several recommendations in here and in other reports—pretty well everyone who presents, even if they're dissenting, agrees on that issue, so I won't spend too much time on that.

I can say, in looking at the Wise Persons' Committee, that there's ample evidence there that they've stated categorically that there's a federal role in doing this under the

Constitutional Act; I think it's section 93. So I'll leave that for Paul Martin to follow up on. I think the provinces can only place their voices on the table and respond to the professional input we've had here.

I think where I'm most interested myself is the issue you referred to as the public confidence issue, the perception issue, of the adjudicative functions of the securities commission. David Brown spoke yesterday, and Ms Wolburgh Jenah spoke as well, with the idea that they've considered what Coulter Osborne and others have said. You've left it sort of hanging a bit in some of your recommendations. It wasn't definitive to separate. It was more like it should be studied. That seems to be kind of an exit strategy. It doesn't mean you are definitively coming down on it. But if you're really trying to build confidence in a market and there is separation of government and the judiciary, the politics and—it's the same thing—the policy-setting role; I see the OSC doing the regulations and leading the government on the policy agenda. They do great work, I believe, at the national and international level. But that's that one piece, perception only.

Now, it's come to my attention—I'm not a lawyer, so I don't really know—that the commercial lists bench could easily do and have the knowledge to bring to the test of hearings with some knowledge. I would ask you to say that, if you were to separate it—and there may or may not be enough work. There are those that say they don't bring enough cases to trial. Is that one way we could have a transition at least for some, if not all, the cases, especially the large ones, where there's clear uncertainty? In fact, the OSC has a couple of times challenged the bench as not having the knowledge. Could you give me some sense of how you would do that transition?

Mr Crawford: I speak without a lot of knowledge of the structure of the courts. I know, as a pragmatic matter, that certainly the commercial lists bench in Ontario is very strong and has a lot of experience. I'm not sure whether it would be appropriate, feasible or constitutional for them to play the role of the adjudicative body of certain matters coming out of the Securities Act. Certainly it would be feasible for them to be an appellate tribunal from decisions of a judicial body or, for that matter, from decisions of the OSC.

It's certainly a lot better than in the US, where, although there is an independent tribunal in theory, appeals from the independent tribunal go to the active commission. So it's not really independent.

I can't give you a definitive answer, sir, except to say that I know that's a good court.

Mr O'Toole: Mr Brown saw and in fact Supreme Court Justice McLachlin was suggesting that there is a need to have the residential expertise setting regulations as well as making judgment on those regulations. That was seen as a validating reference point to keep it in-house under the OSC. That's really what I heard Mr Brown saying yesterday.

If I look at the role of the OSC and its emergence in the early 1990s and latterly as well: more and more reg-

ulations; more and more different kinds of market products; much more complex rule-making and exemptions etc; very important, absolutely critical ongoing administration of the capital market—no question. In fact, they are probably the leaders—maybe they wouldn't want to say that—in helping Canada get to the single regulator. We find out that Ontario, being the dominant player, isn't just moving all the pieces around. So that issue needs to be dealt with.

When I think of that as the validation, that says to me that none of the court principals, neither the prosecutors, the defence nor the judges themselves, have the leverage—or maybe there's not enough volume and experience. Do you understand? A retired person could do it—not retired, but someone who has been removed from the commercial list.

That, to me, is the most important part of the perception of the role of the OSC. It's huge. We aren't going to get to the single regulator immediately. It's going to be a minimum five-year deal. We could commit to it and get it done in five years, but if we don't commit, it won't be done.

Can you give me some—you are a practising lawyer, obviously, or were.

0930

Ms Wolburgh Jenah: I'd be happy to try to answer that question, Mr O'Toole, but it's really—you've raised a very, very important question and also, I think, touched on the issue that a lot of people are asking about, which is, what are the alternatives to address the perception issues? Let me just try, if I can, to give you a bit of an overview here, or a context.

There are two very different issues that we're talking about. One is the legality of the current structure, and the other is the perception, and what's the best answer for Ontario and indeed for the capital markets across the country? They are two different issues.

I think the reference to Chief Justice McLachlin's comments in the Ocean Port case really relates to the former to some extent, but also to the latter, because what she was saying in that decision was that when people challenge integrated agencies—and we're not the only agency, so this comment is not specific to us. But when people come in and challenge, and these would be people who are respondents, potentially, before an agency of this kind, what they're saying is that because of the fact that this agency, as a whole, performs all these functions—investigation, prosecution, adjudication and policy-making—there is a worry; there is an apprehension of bias. The allegation is not normally that there is actual bias. That's very rare. It's the perception; it's the apprehension. This is why Chairman Brown said that whether it's actual or apparent, if it's a perception, it concerns us, as I know it concerns you. So there is that one issue.

What she has said is that clearly where the Legislature has chosen to create a structure of this kind, that apprehension-of-bias issue cannot succeed solely on the basis of the argument that the structure is integrated, because that's exactly what the Legislature intended. So from a

legal point of view, and Mr Osborne's report makes this clear as well, they agree there is no real legal issue outside of the charter question they raise and which we sought to have addressed because, as Chairman Brown said, it was a loose end.

Then you move to the perception and to the challenge, of overcoming the perception issues. For all of the strengths that come with an integrated agency, you get, unfortunately, some of the side effects of it, and one of them is that perception that you have the commission as a whole performing these various functions.

In reality, when you strip this away, the commission, which is the members of the commission—it's like the board of a public company. It's not the staff. They are separate in many ways from the staff. So when people say the commission does investigation and prosecution, really, the staff of the commission are the ones who are doing the investigation and the prosecution. The commission itself, as commissioners, are not involved in that process, and where a commissioner has to sign an investigation order, they are statutorily barred from having anything to do with that matter on a go-forward basis. So the structure has been scrupulously set up to try to avoid those perceptions. But much as you try, they linger. So the real issue is the policy-making, the adjudication, versus those other functions.

One of the ways in which we try to deal with the perception issue in the context of the structure we currently have is that we have a choice at the commission. When a matter comes forward and is being investigated, it can be brought to the commission for adjudication or it can go to court under section 122. There is a third option, which is to take it to Superior Court. That's an option we don't normally use, but it is a third option under the legislation. So there are three choices.

The issue is not so simple, I think, as saying, "Should we take everything to court or should we continue to have the ability to make that choice?" Even the report by Mr Osborne is very interesting in that they attempt to delineate. I don't have the report in front of me, but at one point in the report early on, they say, "We're not suggesting that the commission not deal with any regulatory issues any more in a regulatory adjudicative tribunal context." There are some things that everyone we spoke to agreed the commission does very well. They are the regulatory matters, the takeover bid proceedings, the transaction-related matters, as they called them. So I don't think the issue is as simple as saying, "Let's just take away the adjudicative function altogether." It may be that there is an answer, a kernel of an answer, in there that that dividing line has to be more clearly articulated.

As a commission, we do struggle with that, and decisions are made all the time as to whether we'll go to court on a matter or whether we will in fact pursue it before the commission. There are many, many cases that we do take to court, as you've indicated, Mr O'Toole. So we bring a lot of proceedings to the tribunal but we equally bring a lot of proceedings to court. They tend to

be the kind of cases where there is going to be a lot of cross-examination, the consequences are going to be significant, or we're looking for jail time.

Mr O'Toole: How much time is left, Chair?

The Chair: About a minute.

Mr O'Toole: Mr Barrett, did you want to ask a quick question?

Mr Toby Barrett (Haldimand-Norfolk-Brant): Just very briefly, Mr Crawford, you make a point of examining the various models for structure, for regulation in the provinces, and you distinguish between a national regulator and a single regulator in the sense that you favour a single regulator. What distinction do you make or why do you not use the term "national" regulator, which I assume would reside in Ottawa or Montreal, perhaps?

Mr Crawford: Ideally, one securities regulator would exist in Canada, with a strong regional base. Ideally, it would be created by legislative activity in both the federal government and the provinces and territories. That's the ideal situation. I guess you'd call that national.

In today's context, you'd think that the federal government might give this leadership and move forward. It's unlikely, in my view. You do have the possibility that the provinces, acting together by delegating to one regulator, could become one, as they are nine, 10 or 11 today, and have a single regulator that could be effective. That's not as ideal. But to me it's so important to have one regulator in Canada that if it's possible to get agreement with Alberta, we should move forward with it even if we don't have agreement with all the provinces. Ultimately, if two or three provinces will come forward, the feds will get onside. But they're not going to do the leadership.

The Chair: To the NDP and Mr Prue.

Mr Michael Prue (Beaches-East York): I have two lines of questioning. I'll try to do them in six minutes each. The first one has to do with the number of prosecutions, the amount of money that is being spent by the OSC and other related bodies on prosecuting criminal and illegal wrongdoing within the system. Do you think it's adequate?

Mr Crawford: I have been of the view historically that we have not been active enough in enforcement, and I'm not just talking about Ontario; I'm talking about federally and I'm talking about all the provinces. I believe, with the establishment federally of a special unit of the RCMP to work with the provinces and with the provinces taking a more active role, that we are moving to the point where it could be adequate.

Mr Prue: So what you're saying is it hasn't been but it could be. The reason I'm asking is that a deputant yesterday gave us a lot of facts and figures—which I'm going to have researched, but let's take it for a minute that they're right—that Ontario spends about 17% of its budget on prosecutions and investigations, and states in the United States—they gave an example of 10 of them—run anywhere between 30% and 70% that they spend. We seem to spend a minute fraction. Then also, the statistics that she gave show that we actually prosecute far fewer people in this country—maybe we're

more honest, but I somehow doubt it—than they do in the United States as a result. Would you comment on that?

Mr Crawford: I guess I can make two or three comments. Until the last year or two, the SEC has been dramatically underfunded and underpaid. We Canadians tend to compare where we are in the world with reference to where the United States is. I don't think we have to take a backward position or feel in any way negative or inferior in terms of our securities laws, in terms of many things in our society.

0940

No doubt the most effective prosecution, rightly or wrongly, in the US these days is coming out of the state Attorneys General, particularly in New York state.

Are we doing enough? I don't know. I think it's interesting that for the first time in a long time we have the RCMP, as a result of this new unit being set up, investigating Nortel. I think that's a very major initiative. Should we be doing more?

One of the problems, to be frank with you, with the CSA, the Canadian Securities Administrators, is that a lot of things they do require agreement. We don't have one regulator, one official body with the accountability to make a decision, therefore I get frustrated at times because it's hard to move quickly. Maybe people shouldn't move more quickly.

I wouldn't disagree with you on the whole that we could be doing more, and hopefully we're moving in that direction.

Mr Prue: The reason I asked that is that we were given statistics yesterday by Mr Brown that there is about—what did he say?—one case per day uncovered in securities in Ontario where somebody has done something illegal, wrong, shady or—I don't know what other word to use. We see the numbers of prosecutions that actually take place are far lower than that. Although it's uncovered, and maybe some of it is fairly minor, they don't seem to lead anywhere. There are huge examples: Bre-X doesn't lead anywhere; Hollinger leads nowhere. All of these cases over the years lead nowhere. Is this carte blanche in Ontario to allow people to defraud?

Mr Crawford: Gosh, it's hard for me to answer that, sir, without a lot more background. It's not something I've studied. To be frank, I was a bit disappointed that the Hollinger thing was brought to task in the United States but not in Canada some years before, but that's another matter.

Mr Prue: Perhaps we'll ask others on that later. I want to get into the other issue, which is the current structure: You made no recommendations at all. I find that kind of strange.

Mr Crawford: Don't you guys make all kinds of recommendations that are no recommendations?

Mr Prue: Well, I don't know. The Osborne report: When did you see, or have you ever seen, the Osborne report?

Mr Crawford: I have not seen it.

Mr Prue: No discussions took place among your 50 meetings about what he was saying or what he might potentially say?

Mr Crawford: Osborne?

Mr Prue: Yes.

Mr Crawford: I think the Osborne group was appointed as a result of our recommendations, where we said it should be looked at further.

Mr Prue: In his report, on pages 32 through 34, he is unequivocal, saying you cannot do anything but separate the enforcement function from the adjudicative function, and in fact, under no circumstances should it be left that way. Would you have any comment, after the fact, on his statement?

Mr Crawford: Mr Osborne is a man I have great respect for.

Mr Prue: Do you believe that the system, as it is currently operating, works efficiently, effectively and is seen as fair?

Mr Crawford: I was concerned—this was early on in our committee—the structure Susan outlined earlier was not well known, and I thought it should be made clear how the OSC operated, on its Web site and otherwise available, in terms of separating the investigation and enforcement from the judicial. It is my understanding that the commission had already started doing that and have taken further steps to do it.

Your question is, is it fair? Perception tends to be the reality. I'm not going to lose any sleep, certainly, if this committee makes a recommendation in agreement with the Osborne committee.

Mr Prue: OK, but I still want to go back to your perception. You've been there. You wrote a report. You've been around the scene for years.

Mr Crawford: My perception is gained from—a lot of lawyers have been involved in actually litigating involving the OSC. They have developed, some of them at least—and some of them are very resourceful, good lawyers—the perception or feeling that, “Well, it's supposed to be an independent group, but perception-wise, it's hard to convince my client that they are independent.” I have not had that experience, but certainly among the public there's no question, as we said in our report, that there is that perception, and I think Mr Brown agreed with that.

Mr Prue: Do I still have time?

The Chair: About three minutes.

Mr Prue: Oh, my goodness, I've got lots of time.

I'd like to go back, then, to the issue about potential wrongdoing within the securities and the Ontario Securities Commission. I acknowledge that there are millions of transactions, maybe tens of millions of transactions, every day and that people are going to, if they can make a profit by scamming or—how widespread would you think fraud is? A couple are uncovered, or at least one, every day. One per trading day is usually uncovered.

Mr Crawford: I didn't hear that. Whether they were fraud or complaints, I'm not sure. You'd have to help me here.

Mr Prue: Well, there were a lot more complaints than that. We understand from one of the people that there

were, in 2003, 679 SEC cases; 599 in 2002. The number of complaints—

Mr Crawford: This is in Ontario?

Mr Prue: This is in Ontario. Again, I have not verified these. This was another deputant yesterday.

Mr Crawford: I don't know, for example, how many registered reps there are in Ontario—these are salespeople acting for the securities firms—but there are a lot of them. Human nature being what it is, it would be too much—not too much, but difficult—to expect, hard to expect, that you wouldn't have some problems at times. I read the US literature a lot. We tend to just look at the big cases we see down there, but the paper is full of cases all the time of scams etc. The fact that they're not doing a good job doesn't mean that we are doing a good job. Can we do more? Sure, we can do more.

Mr Prue: So if you were to come here with a single recommendation—you made five of them. One of them is, and that's why I'm going back to page 7, “We ... urge the standing committee to recommend that the government of Ontario reintroduce and proclaim in force the amendments in Bill 41 relating to fraud, market manipulation and civil liability for secondary market disclosure. Investor protection is a cornerstone of securities regulation. Introducing a regime of statutory civil liability for continuous disclosure will provide significant additional protections for investors.”

From what I read, very briefly, that seems to me to be the cornerstone of what needs to be done. Would you agree?

Mr Crawford: I agree.

Mr Prue: I mean, more important than anything else.

Mr Crawford: If this committee does anything, it should support that.

Mr Prue: Thank you very much.

The Chair: Now we'll move to the government and Mr Berardinetti.

0950

Mr Lorenzo Berardinetti (Scarborough Southwest): Thank you, Mr Chairman. I'll share my time with the other members of the committee.

Thank you for coming today, Mr Crawford. I had one question, and it came up quite a bit yesterday, as well: the issue of other jurisdictions perhaps resisting or not wanting to form one united regulator. Do you have any comments on that? For example, let's say the oil people out in Alberta or perhaps the Quebec jurisdiction might not want to be part of a new system.

Mr Crawford: My first comment would be that we shouldn't expect that we're going to be able to go ahead with agreement with all the provinces. Quebec will not be there, no matter if the others are there. However, it might ultimately be there and not want to become a bit of a backwater.

The key to all this, I think, is Alberta, to be frank with you. The other provinces are important, no question, but if Alberta and Ontario say we're going to have one commission, I think the thing will come together over time. Ontario is by far the dominant home of the capital

markets in Canada, and Alberta would be number two. British Columbia and Québec are important; I don't want to minimize them.

It's not a legal issue, as far as I'm concerned; it's a public policy issue. Have you ever heard of an administrator or a public servant or a committee member who wanted to do away with his job? It's got to be done at your level, the political public policy level. That means it's got to be done at that level, and it's got to be done by Ontario bending over backwards to accommodate the views of the other provinces, because we are the capital markets, no matter how much we do to accommodate Alberta or Québec or British Columbia, or even Nova Scotia. It's going to be here, in any event.

So we can really afford to be very committed to having local authorities and strengthening the local position and bending over backwards to make this happen. Will it happen? I hope so. Sorry I talked so long.

Mr Berardinetti: That's a very good answer. Thank you. I'll pass my time over to Ms Matthews.

Ms Deborah Matthews (London North Centre): Thank you very much. It's a pleasure to meet you. I do want to say thank you for providing this committee and the Legislature with such a strong foundation from which we can begin our deliberations. I appreciate the work you and your committee have done on that.

There are so many things I would like to pursue with you, but I'm going to focus my question on this single securities regulator. As has been said earlier, there has been very strong support for the idea that we move forward with that. My question to you is, what do you think we, as a committee, should do to further that cause?

Mr Crawford: The minimum you can do is to recommend to the government in Ontario, through the minister and the Premier and others, that they do everything feasible to move forward with a single regulator. That's the minimum.

What you can do apart from that, on your own as individuals or otherwise, depends on your contacts and everything. I don't think even the Alberta business community is opposed to one regulator, at least the major players in it. So if you can have any influence through those environments or your political friends in Alberta, or in any province, by all means, do so, if you feel that way.

Ms Matthews: I'm going to sneak in a second question. What do you see as the major drawback to the passport system?

Mr Crawford: The major drawback to the passport system is twofold, at least.

One is it doesn't deal with the formulation of policy in a hurry and the development of policy to respond to issues that are current. The CSA would continue—it's almost dysfunctional, to be frank.

The other one is enforcement. It doesn't deal with, in any way or level, how you go about enforcing these various securities laws.

And, of course, there's the international position. The international position is important because money coming to Canada for our capital markets is important to us.

But, fundamentally, it's a dysfunctional inability to move quickly to deal with changes in the environment. I mean, we don't do a bad job. You may have read in the paper yesterday or today about the SEC starting to blow the whistle on mutual funds that make special deals with brokers to distribute their products. Well, we did that here in Ontario several years ago, so we don't necessarily have to take a back seat to anybody.

But the passport system, what does it do that we're not already doing? That's what you'll find out.

The Chair: Mr Delaney?

Mr Bob Delaney (Mississauga West): Thank you very much. I'd like to follow up on some of the questions you have been asked.

Assuming Ontario agrees on the need for a single securities regulator and that the government of Ontario moves decisively on all of the areas within its jurisdiction—as you put it a few moments ago, doing “everything feasible to move forward”—where, outside the jurisdiction of the government of Ontario, in your opinion, would the next bottleneck lie on the road to implementing a single securities regulator in Canada?

Mr Crawford: Well, if I understand your question correctly, I would say Alberta and the federal government.

Mr Delaney: Could you just elaborate on that a bit?

Mr Crawford: There was a time when the people in Alberta had an inferiority complex toward Ontario. Now they don't; they have a superiority complex—maybe. They don't like us in Toronto, necessarily. That's why, when I go out there, I say I'm a poor Nova Scotian.

It takes a lot of tact and bending over backwards. With some justification, they don't like the feds, the national energy program. So they're perhaps logically suspicious of what we're up to, trying to grab all the capital markets and take them away from Alberta and other provinces too. That's why I think we really have to bend over backwards. I have said publicly in a speech I made some time ago that the first securities act for one regulator will be the Alberta act. Technical lawyers have a great problem with that, but the reality is it's no problem at all in terms of the big policy picture, things like that.

Mr Delaney: Earlier, you stated that Canada has a higher standard of corporate governance than they do in the US. The final report recommends in numerous areas that Canadian practices either be harmonized with or simply adopt US practices and procedures, be that in GAAP or other areas. Could you explain, then, how the higher standard of corporate governance you mentioned would be maintained, when more and more of our practices and procedures find their origin in the USA?

Mr Crawford: The accounting world—you were referring to GAAP, was it?

Mr Delaney: Among others.

Mr Crawford: If we could back up a bit—I guess we're running out of time, Mr Chairman. I've been a director over the years of several US companies. I'm currently a director of one major US public company. I was on an advisory board of US and Canadian rep-

representatives, but mostly former US CEOs. I was on the Dey committee that looked at corporate governance for the Toronto Stock Exchange. It's perfectly clear to me that, historically, much more so in the US than in Canada, the CEO was the monarch. To be accountable to a board, their attitude is, "I have to be chairman, or I won't take the job of CEO." Some of the things that we were doing as a result of the Dey report or otherwise were unheard of down there.

1000

Now, the dramatic changes since the developments in Sarbanes-Oxley and some things—I guess Mr Rosen will tell you later today, if he's here, that we should adopt US GAAP, and we say in our report that Canadian companies that are subject to US GAAP should be able to use it in lieu of Canadian GAAP. But on the whole, the international accounting body, the Canadian accounting body and the US accounting body are working toward a uniform accounting system, which I think would be ideal.

I think that, on the whole, an accounting system based on principles is better than an accounting system based on detailed rules, which is what they have in the US. I think they've come to realize now, as a result of Enron and other cases, that maybe there's something to be said for an accounting system based on principles. We're sort of typical. We're halfway in between rules and principles. The international accounting standards body based in, I think, the UK is more principles, but we're moving together. But don't apologize for Canada.

The Chair: Thank you very much for your presentation this morning.

JOE KILLORAN

The Chair: I call on Joe Killoran. Good morning. You have 10 minutes for your presentation.

Mr Joe Killoran: I'll start my watch now.

The Chair: You may allow time for questions, if you desire.

Mr Killoran: Fine. My 10 minutes—I'll start; 600 seconds.

My name is Joe Killoran. I'm an educator and consumer/investor advocate, with an MBA from Ivey in 1979, as you'll see on page 3 of my presentation.

Full transparency and disclosure; I've known Debbie Matthews since we were kids. I used to date her older sister, Shelley, and I worked with Debbie's ex-husband in the brokerage business.

Mr Rosario Marchese (Trinity-Spadina): Too close for comfort.

Mr Killoran: Yes, but everybody from London, Ontario, is related, OK?

Interjections.

The Chair: Order.

Mr Marchese: It's too incestuous for me.

Mr Killoran: OK, my presentation. This is my wife's uncle—you all know him—Adam Zimmerman: "Who's in charge here, anyway?" That's the title. Who's in charge of consumer investor financial literacy education?

The Chair: They've asked me if you could please sit. They can't pick you up on the mike. Would you please be seated?

Mr Killoran: I'm a teacher.

The Chair: Fine. The proceedings are also televised. It helps for that as well.

Mr Killoran: Who's in charge of the education and financial literacy of consumer investors in this province? Is it the Ministry of Education? Is it the Minister of Finance? We don't have financial literacy as core education, JK to grade 12.

I'm a teacher. OK. There are nine of you now. How many of you can use a programmable business calculator to calculate present/future value, mortgage interest, lease payments? Hands up. How many of you panellists can do that? This is a poll. That is an introductory item in third-year corporate finance at Laurier and York, where I've taught.

We live in a distinct society, yes, a privileged society where people don't learn financial literacy. They are the sheeple food chain of our financial services industry. They're uneducated and unknowing, and we've got to have a revolution to change this now.

Page 2: There's the Hippocratic oath. We don't have that in our financial services industry. As Debbie knows, my esteemed father-in-law, Dr Jim Ballantyne, is an ophthalmologist. He's retired. He's 80 years of age, professor emeritus from Western med school and a past president of the College of Physicians and Surgeons of Ontario. We don't have a Hippocratic oath in our financial services industry and, Deb, I'm sure you would say he epitomizes it in medicine.

You see my CV. You also see a note from Eliot Spitzer, and I'll get to that later.

Ladies and gentlemen, I was trained by Merrill Lynch on Wall Street, March 1984. The 16th floor of the Roosevelt Hotel was my room, the safest room on Wall Street. Why? Presidential wannabe Gary Hart's suite was down the hall. The secret service were looking after him. Remember the name of the boat that Gary Hart got caught on? What's the name of it?

Ms Matthews: Monkey Business.

Mr Killoran: That's right. I guess we're here to look at the monkey business of the OSC and, are they guilty of gross malfeasance failures?

Down at the very bottom, page 3, Ed Waitzer: That was on August 28, 1997. I first met Waitzer in 1994, when he became OSC chairman. Folks, there's no democracy in capitalism. Consumer investors weren't represented.

Page 4: I was identified with learning disabilities as a child in 1958—very severe reading comprehension disability. I had to learn tricks to survive. I got an MBA with it, 1977-79, at Ivey. When I got a computer in the early 1990s and taught myself, I could communicate; I could finally do things. But I've used those tricks, as you'll see through here.

Page 5: Minimum education of our financial advisers; that's where we failed. We get the Canadian securities

course by correspondence. Your doctor has to go to med school for at least four years and an undergraduate degree. He knows the body. There's no history of investing that these guys really learn.

Page 6: The OSC is guilty of gross malfeasance in the area of perpetuating asymmetric information. When they brokered the deal for Dundee to buy Fortune Financial, the money was put in escrow that they paid for David Singh for four years. Nobody knew about it, nobody outside the province. They had Fortune offices across the country. They didn't get a registered letter saying this.

This is me: point-of-sale disclosure. It's 10 years old. I first showed it to Adam Zimmerman 10 years ago last Thursday at Georgian Bay. That was the day they closed the doors of Confederation Life that he was trying to life-save. Folks, we have to educate people: one page; point of sale. The thesis on this is interactive. Fill in the blanks between the adviser and the seller. Then you learn. If I gave you a preprinted document to buy a new car, would you really look at it? It's filled in. You just sign. You don't look at it. That's the way we educate. Adult beginning education and financial literacy: three minutes, 50 seconds.

Page 8: This is from the elder abuse. Seniors are sold deferred-sales-charge mutual funds. You see the RBC DS manual here and it says "elderly clients buying with DSC."

On page 20 you will see my demi-plus billionaire cousin Arthur Labatt say that mutual funds are sold, not purchased. We've got problems.

Reverse mortgages: 50% of them are collapsed within the first five years, as soon as the person has to be moved out to a care facility. That's after all the commissions, all the interest rates, all the penalties and all the legal set-up fees. It isn't such a good product. Maybe they shouldn't have taken it in the first place. That's elder abuse. If that were an operation that we had to reverse, all hell would break loose, and I'm sorry for swearing.

Tied advice-tied sale commissions on page 11: The trailer fee commission is the most sophisticated form of tied advice-tied sale, far more egregious than the practice of tied selling at the banks that is now banned.

Page 10: Why do we let people sell proprietary funds? The pharmacist dispenses drugs. He's got five years of university education.

OK, folks, this is the real meat and potatoes: All of our securities commissions are guilty of gross malfeasance for allowing the rebate commissions in 1999, when an adviser switches somebody to a proprietary fund.

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Assante's business plans, Loring Ward, every adviser, once they switched their book of business, got bonus shares in Assante when—40% of their client base. That's far more egregious than mutual fund free trips.

Mr Crawford, we didn't kill the practice in this country. Extra sales incentives are still going on. This is for you guys.

The founding chairman of Advocis: This is out of the courts in Saskatchewan. This is really serious stuff. This package and other things have gone to Eliot Spitzer. The

Saskatchewan Securities Commission has enacted since February—Spitzer got all this yesterday. We'll see who acts quicker on this, because there's a US component.

Gentlemen, it's time to kill proprietary funds. In here, for the last 10 years of my life—and Debbie knows. Ivey has written cases about me: Joe Killoran, investor advocate.

I tried to get Trimark to live and lead by example with shareholder proposals in 1997, 1998, 1999 and 2000, an end around the OSC for its failures.

I asked for funding from the OSC so I could get independent research done on my point-of-sale document. Did Tommy Hockin tell you yesterday that he actually seeded my point-of-sale document with a \$250 honorarium 10 years ago? Then, in 1995 he told me that they got exceptional focus group results on it. He never gave it and he never told anybody. He speaks like an angel but lives like a man. By the way, Tommy Hockin's parents played bridge with my father. He's another Londoner—London mafia.

Looking forward: There's my press release offering to give my stuff to the governments of Ontario and Canada—point-of-sale documents, creativity. In here you will see my communications with the Honourable Janet Ecker, as the Minister of Education, in the fall of 2001. I need help to educate adults, Janet. She became Minister of Finance.

Then a paper came out rethinking point-of-sale disclosure amongst mutual funds. There was no mention of my point-of-sale document. Janet Ecker had to practise plagiarism as Minister of Education. What do you call it? There's no mention of my thing in their 55-page document.

Folks, we have culture problems. Looking on page 20: You have to ask some tough questions. I expect this committee to go in areas and say, "Is the OSC guilty of gross malfeasance?" They are when it comes to investor education. I've been there for 10 years saying we need point-of-sale; I've been there.

We teach Jack Welch in our business schools: boundaryless behaviour for ideas; speed; stretch; continuous improvements; six sigma. We're not practising that on behalf of consumer investors.

Ask the question, if they're guilty of gross malfeasance: We didn't let the Koebel brothers fix the Walkerton water system. Whom are we going to allow to fix the problems in this country?

Look at every committee the OSC has set up. You won't see democracy and capitalism or consumer investor representation. You will not see it. All of my work—point-of-sale-tied selling—is up for a prestigious international award in economics. It will be recognized outside of Canada before it's recognized inside Canada. The Honourable Jim Peterson knows that's going to hurt us on a global scale. I've tried; I've genuinely and sincerely tried. The OSC is guilty of gross malfeasance.

The Chair: Thank you for your presentation.

Mr Killoran: I'm going to give these documents to you to photocopy for people if they want them, but I would like these back.

The Chair: All committee members will get a copy and we will return the originals.

Mr Killoran: I would thank you for that. I have one final comment. In there you have something—read this book, *Somebodies and Nobodies: Overcoming the Abuse of Rank*. People want dignity. Your constituents want dignity. The people of this province want dignity. They want to be able to fund their longer life expectancy themselves.

The Chair: Thank you.

GLORIA HUTTON

The Chair: I would call on Gloria Hutton. Good morning. You have 10 minutes for your presentation. You may allow time within that 10 minutes for questioning, if you desire. I would ask you both to identify yourselves for the purposes of Hansard.

Ms Gloria Hutton: My name is Gloria Hutton.

Mr Kevin Hutton: I'm Kevin Hutton, her son.

Ms Hutton: I would like to thank the committee for the opportunity to appear here today. As I told you, my name is Gloria Hutton. I am an Ontario investor who has lost faith in our investment industry and its regulatory authorities overseen by the Ontario Securities Commission. These authorities include the Investment Dealers Association of Canada, IDA, and the Canadian Investor Protection Fund, CIPF.

More than four years ago my husband, Ron, and I saw our life savings disappear in a multi-million dollar fraud perpetrated by a licensed investment broker whom we thought to be a family friend. He was subsequently convicted of fraud and jailed. Our loss included a \$500,000 locked-in pension, which vanished from an account held in trust by the Toronto-Dominion Bank. It was removed without proper authorization or documentation and deposited into a worthless company operated by the licensed broker. The broker, we later learned, had an administration arrangement and regular dealings with the bank.

In its investigation, the IDA found the bank procedures wanting but lacked authority to act, other than to lift the broker's licence and to levy a substantial fine. We believe the fine remains unpaid.

An early review of our case was misrepresented by the IDA, and an initial claim of loss by Ron and me was arbitrarily rejected by the CIPF. That authority and certain board members dismissed us as victims of our own stupidity.

After seeking legal support, we were eventually reimbursed by the CIPF for the base value of the pension, more than two years after it was lost. But we were required to waive any right to legal action against the IDA, the CIPF or the bank. Reimbursement by the CIPF was written on a cheque from the TD Bank.

Lacking any savings to secure our future in retirement, we found it necessary to sign away our legal rights, under duress. Meanwhile, the CIPF asserted that it had been unnecessary for us to hire a lawyer to win our claim.

I will not burden you with the ordeal of additional painful dealings with the Law Society of Upper Canada and the association of chartered accountants of Canada. Those matters are for another day. But I think you can appreciate that we were sadly coming to the conclusion that rather than protecting the investor, Ontario's investment industry seemed to have a greater interest in protecting itself.

We wanted answers. Specifically, how was our pension, held in trust by the TD Bank, removed without proper authorization and documentation? We posed that question to the Ontario banking Ombudsman, later the Canadian Ombudsman for Banking Services and Investment. Following initial inquiries in which the bank claimed itself to be a victim of the broker's fraud, the Ombudsman said he could not pursue the matter. He cited our agreement with the CIPF not to hold the bank legally accountable. We said we were simply seeking an answer to our question, but he would not move further. Subsequent appeals to the Ontario Securities Commission, the office of the superintendent of financial institutions and the Financial Consumer Agency of Canada were rejected as being beyond their mandates.

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In the early days of our ordeal, we learned that the OSC had conducted an audit of the IDA operations in 1999 and found a number of its practices wanting. Curious to know whether flawed oversight by the IDA might have contributed to our investment losses, we sought a copy of the audit. We were told by the OSC that we could not have it because it was a confidential document. We went to Ontario's commissioner of freedom of information and personal privacy. A number of times the commissioner's office has ruled that the OSC must release the audit to us, only to be stonewalled at the last minute. More recently, the OSC won a stay of the commissioner's ruling, pending a judicial review, which has yet to be heard. Meanwhile, the time for potential legal action, already a debatable recourse, is running out.

The OSC, which claims to have investors' interests at the top of its priorities, insists that release of the document would jeopardize its ability to draw candid responses to questions from staff of the IDA and civil servants. We dismiss this as a weak attempt by the OSC to shield the IDA and itself from public scrutiny. We argue that staff and civil servants have a professional obligation to deal forthrightly with matters adversely affecting investors' interests and confidence.

As the OSC pleads the need for secrecy, a similar audit of the IDA in British Columbia has been made public, which raises the question, if the OSC morphs into a national securities agency, will the interests of Canadian investors be submerged by other financial concerns, or will transparency in the Canadian investment industry become a new way of doing business?

I greatly appreciate the time you have allotted to me to make our experience known to you. No words, however, can adequately describe the enormous trauma all of this

has caused our family. The last four years have been hell, not made more easy by regulatory agencies supposedly committed to our protection.

I have brought with me today a file on the experience of my husband and me over the past four and a half years. I will leave it with you for detailed study and reflection by you and your research staff. We would be pleased to co-operate with your staff, should additional information be required. Perhaps, with your powers, you can help Ron and me find out how, and under what circumstances, our pension vanished from the TD Bank.

I would ask that you consider whether this is the way you want Ontario's investment industry to work and whether the OSC cares sufficiently about individual investors to act more rigorously and openly on their behalf. If the OSC was indeed discharging its claimed commitment to protect investors, I wouldn't be here today. Therefore I would ask you to establish investor protection as a fundamental priority within Ontario's investment industry, which is certainly not the case at present; direct the OSC to released the IDA audit to us; investigate whether administrative arrangements between banks and investment brokers place investors at risk; and if Ontario is to participate in a national regulatory program, require that investor protection receive the attention it deserves.

On the basis of our experience, an independent organization with the authority of law is needed to monitor the industry and order financial redress where investors are defrauded or victimized by corporate negligence. In other words, I would ask you to initiate changes to ensure that regulators fulfill their stated objective of protecting the interests of investors in this province.

Thank you for your time.

The Chair: Thank you. Any material you would leave, we would photocopy and ensure every committee member has that.

Ms Hutton: I would appreciate that.

The Chair: Your time has expired. We don't have time for questioning. Thank you for appearing before the committee.

DEMOCRACY WATCH

The Chair: Committee members, now we have a teleconference with Democracy Watch. Good morning.

Mr Duff Conacher: Good morning.

The Chair: Is this Mr Duff Cochrane?

Mr Conacher: It's Conacher.

The Chair: Conacher. Oh, I'm sorry. You have 20 minutes for your presentation.

Mr Conacher: Thank you very much for the invitation to appear before the standing committee on finance and economic affairs and for facilitating my presentation by teleconference. I wanted to check, first, whether every committee member has received the submission I forwarded to the clerk, as what I will be doing is simply taking you through that submission briefly and then opening it up for questions. Has that been received?

The Chair: Yes, they have it.

Mr Conacher: It has. Thank you very much.

The proposal that Democracy Watch is placing before the committee today is for the creation of an individual investor association using the method that has been used successfully in the US to create citizen groups that will watch over various industry sectors.

The proposal is supported by a coalition entitled the Corporate Responsibility Coalition, which is made up of more than 30 organizations, representing more than three million Canadians in the total membership of the groups from across Canada in the coalition.

The creation of such a group would be based on using the method, as I mentioned, that has been used in the US to create citizen watchdog groups. The groups that have been created in the US are called citizen utility boards, and they are created to advocate for fair telephone, electric, gas and water rates and sensible policies before regulators, the government and the courts on behalf of their members, who are individual ratepayers.

How do the ratepayers join? This is the key to the method of creating such watchdog groups. The government requires the utilities to enclose a one-page pamphlet periodically in the utility companies' billing envelopes. The pamphlet informs customers about the organization and invites them to join, for an annual membership fee.

By requiring the utilities to enclose the pamphlet, allowing the pamphlet to piggyback on the envelopes the utilities are already sending out each month to their customers, the government gives the customers a very low-cost and effective method of everyone being reached and everyone having an easily accessible opportunity to band together into a watchdog group that is funded only by individual ratepayers, is directed only by individual ratepayers, and serves only the interests of individual ratepayers.

Of course, more than utilities send out mass mailings to customers. So this method can be used to form watchdog groups over many different industry sectors wherever the businesses mass mail the customers or have some other mass point of contact with customers.

This method can be used in the investment industry because both publicly traded companies and mutual fund companies are required to send out mailings to their investors. So those mailings could include a one-page pamphlet that would invite these individual shareholders across Canada to join watchdog groups that, again, would be funded only by them, directed only by them and serve only their interests.

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It's important to note that this group can be created at no cost to the Ontario government or any other government in Canada and no cost to the investment industry at all, because the government can loan the group the funds to print the first pamphlet, and there are no extra costs for businesses to insert the pamphlet and no extra postage costs either. So for absolutely no cost to government or the investment industry, investors can be given an opportunity to band together into a broad-based, well-resourced group that can represent their interests.

The reasons for establishing such an organization are many. First of all, the investment marketplace favours sellers in many ways, mainly because consumers are not organized to protect their interests. The cost of individual consumers protecting their interests is prohibitive in many cases, so businesses in the sector are easily able to take advantage of their market power in terms of their treatment of customers. As well, enforcement agencies, as has been revealed yesterday, either have inadequate powers and/or resources and/or penalties are too low, or the enforcement agencies have dual roles that create conflicts of interest and hamper enforcement.

Compounding these ongoing problems and barriers to individual investors holding the investment industry accountable and ensuring fair service is that the customers pay all of the costs of the investment industry's lobbying efforts, all of their lawyers' costs, and all of their advertisements. In other words, customers pay for all the costs of the investment industry forwarding its own agenda—not the customers' agenda but the industry's agenda. The industry has an enormous ability to advocate its interests and protect its interests while customers are left on their own with nowhere to call and very high barriers to banding together into organizations that can represent their interests. That is why, as a result of these barriers and despite widespread, ongoing problems with the investment industry, there are only very small, very resource-limited groups, some of which you heard from yesterday, some of which you're going to hear from today, that have been created and are dedicated to representing and advocating for individual investors.

If such a group was created using the US method, it would give investors an easy way to band their resources together to establish a broad-based, well-resourced group that would represent their interests and balance the marketplace. This group could play a great role in educating investors, a role that sellers in the industry and governments cannot play simply because there is deep consumer skepticism about educational materials created by sellers and by governments. This deep consumer skepticism exists for logical reasons because consumers know that sellers have a great incentive to not give them full information about a product or service in order to try and close a sale. As well, they know that governments are greatly influenced by industry lobbyists and, as many polls show, there is not a great trust of governments across Canada now because of past behaviour by politicians and other public officials. So this group would be able to provide the role of educating investors, with investors knowing that the group was only serving their interests, was only funded by them and was only directed by them, and so would be giving them the straight goods on the various products and services and helping them shop around and protect themselves.

As well, governments cannot make decisions in the public interest when consumers are not effectively represented in policy-making processes. Again, because there are only very small groups that exist that are dedicated to representing investors, the government is not

hearing the full picture from the consumer side and instead is getting a skewed picture based on the overwhelming resources that the industry lobbyists have.

Another reason to create such an organization is that Canadians want such an association created, using the method of the pamphlets being sent out. I won't go through all the results of the survey that was conducted by Environics Research Group, a survey of 2,000 individual Canadians using personal interviews, but the findings show overwhelmingly that Canadians want this group and that the banking and financial services area is the number one area in which Canadians, and also Ontarians, in terms of the segment of Ontarians who were surveyed for this survey—both the national results and the Ontario results show that financial services is the number one area in which consumers want such a group created. As well, a survey of citizen groups that was undertaken by Democracy Watch resulted in, again, overwhelming support for this method being used to create a citizen watchdog group that would represent individual investors.

What are the next steps to creating such an association? The next steps are that the government, using a model law that Democracy Watch has, which is based on US experience, would draft a bill, introduce it and pass it in Ontario. The law would set out the structure and operations bylaw of the association and would give the association the right to have the pamphlet enclosed one to two times each year in the mailings of publicly traded companies and mutual fund companies, with the mailings only going to individual investors, not to institutional investors, because institutional investors, given that they are large companies, already have the resources they need to protect their interests in the marketplace.

Then the government would provide either a loan or a grant to the group to pay the cost of printing the first pamphlet and appoint an interim board to direct the group. The way this has worked in the US is that once a threshold has been crossed, in terms of the number of members joining the group, the interim board then conducts the nomination and election process for the first board of directors. Then the group repays the government loan for printing the first pamphlet, if the government has made that loan. The government could also provide a grant, if it wanted to further facilitate setting up the group. Then the group goes on as a broad-based, well-resourced, self-sustaining organization into the future, paying for all of its operations.

Democracy Watch's projection is that the group would likely have 400,000 members and, at \$30 each member, a \$12-million budget, which would provide, finally, adequate resources to counter the power of the industry lobby, to help people if they have a problem and need to go to court or are dealing with the regulators, and to help them comparative shop and shop around to make sure that they are asking all the questions they need to ask of financial advisers, brokers and others in the industry to ensure their interests are being protected and they are being treated fairly.

Again, Democracy Watch and the Corporate Responsibility Coalition is appealing to the Ontario government to balance the marketplace. At no cost to the government and no cost to the industry, give consumers the resources they need to protect themselves and to band together through this method in an organization that can balance the marketplace and represent individual investors and give them some market power to counter the market power that the investment industry and all the sellers now have.

I will leave it at that. I welcome any questions from any members of the committee.

The Chair: Thank you for your presentation. We have about two minutes per party for questioning. We'll begin this round with the NDP.

Mr Prue: This is an American example you've given. In how many states is this taking place?

Mr Conacher: This has taken place in four states in the US.

Mr Prue: Which four are they?

Mr Conacher: Illinois, Wisconsin, Oregon and California.

Mr Prue: All of them have passed a law and all of them give the money for the first pamphlet—they all do the same thing?

Mr Conacher: In terms of what the government has done?

Mr Prue: Yes.

Mr Conacher: It has differed in different states, whether it's been a grant or a loan or whether the group has obtained a loan from a financial institution in order to print the first pamphlet.

Mr Prue: For how many years has this been going on?

Mr Conacher: Since 1979.

Mr Prue: So there must be quite a body of evidence by this point as to the effectiveness of the organizations.

Mr Conacher: Yes, very much so, and they have proven to be very effective. For example, the group in Illinois has successfully challenged unjustifiable proposed rate hikes by the utilities in the state of Illinois and has, as a result, saved the customers more than \$6 billion that would have essentially been straight gouging by the utilities in Illinois if their rate hikes had gone through, but the rate hikes were turned back by the energy boards based on the advocacy of the citizen utility board.

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Mr Prue: Obviously you're not here, so you wouldn't have seen it, but we have had a number of people and organizations that have come forward talking about illegal activities, criminal wrongdoing, that kind of stuff, within the stock exchange in Ontario. They've been talking about the need for more enforcement. Would you generally agree with that, and how would your proposal help to better regulate and enforce the existing laws?

Mr Conacher: Definitely, more enforcement is needed, and the Osborne report shows that the dual roles of the commission raise questions about enforcement ability. The creation of such a broad-based, well-resour-

ced individual investor association would very much help enforcement, because it would be an umbrella group where complaints about the industry would be compiled in one place and within a group that is there representing consumers, and that group would then be able to place those complaints before regulators and also before the government in terms of systemic policy changes needed. As well, the group being in existence would facilitate the development of class action lawsuits.

But generally, as well, any seller will act differently when consumers are organized, as compared to when consumers are on their own, with no place to call and very few resources to go to court or even file complaints. When you create such a group that will likely, again, have 400,000 members and a \$12-million budget, you will see sellers change their behaviour, because they'll know that any customer can call that group and that they will be getting a call from that group's lawyer, as opposed to just from a customer who is on their own, who has had all their money taken from them and has no resources to fight back. So it will balance the marketplace and change the behaviour of sellers systemically, and that's why it's needed the most and that's the greatest benefit it will have.

The Chair: Now we'll move to the government and Ms Matthews.

Ms Matthews: Thank you very much for this, Duff. I think it's a really innovative idea and one that deserves a lot more investigation by the members of this committee. I know I speak not just for the people on our side but for all the members of the committee when I say that the protection of investors, especially individual investors, is clearly a core priority for us. The question is, how do we achieve that? It seems to me that this is an idea that can play an important role in that.

My question to you is, who else have you spoken to about this? Is this an idea that's gaining some interest? We've had delegations here from organizations like CARP. Have you spoken to those kinds of organizations, and what's the reaction?

Mr Conacher: I have not spoken directly with that organization. I have spoken with some of the others that are testifying in these couple of days of hearings. As I mentioned already, there are 30 organizations, part of the Corporate Responsibility Coalition, that support this proposal. As well, as is in the brief that I've submitted today, there is Canadian support for using this method. They actually want it done, and so do the members of the Corporate Responsibility Coalition, for every industry sector.

That is the support that is out there, and I would urge the Ontario government to consider using this method to create a utility watchdog group, to create an insurance watchdog group, and as well to create a health care patients' watchdog group in Ontario. Wherever there is mass mailing by business, a pamphlet can be piggy-backed in those same envelopes and can be a way of allowing the citizens to band together their resources as easily as businesses are able to band together their resources.

Again, when you have such an unlevel playing field where customers are paying for all of the advocacy that business does, you have to do something to give customers a way of banding together their own resources. This is the best method that has been developed in the world, as far as I'm concerned, from the studies that we've done.

The Chair: Now we'll move to the official opposition and Mr Barrett.

Mr Barrett: Mr Conacher, I hear what you're saying on legislation and organizational development. Consumer information is very important. I do question, in your brief, to what extent people read the annual reports or even open them up. It's one way of distributing information. Much of the mutual fund industry has their literature on shelves in banks, for example, and I wonder if the salesman, the dealer, should be encouraged to put your brochure in people's hands as they're making decisions to purchase or renew some of their—I'm using mutual funds, for example. Especially in the case of fees, people do not know what fees they're paying.

I have a brochure here from the industry, a mutual fund brochure. I picked it up in a bank. The small print on the back, and I do have difficulty reading this: "Commissions, trailing commissions," or trading commissions, "management fees and expenses all may be associated with mutual fund investments. Please"—and I can't read the rest of this. It's basically, "Please take a look at the prospectus before investing."

In your view, how many people follow that advice?

Mr Conacher: The Canadian Bankers Association did a survey about six years ago on what financial consumers were looking for, both in terms of just retail banking questions but also investment questions. They showed the highest level of concern and level of awareness by consumers that they knew they had to know more, but they didn't know who to ask. They didn't trust the sellers and they didn't quite know how to protect themselves. They had misconceptions about deposit insurance and what kinds of things it protected when you were dealing with a bank and through a bank branch. It showed very high levels of concern and awareness that people needed to know more but they didn't know how to figure it out, and they were just relying on friends.

Based on those kinds of surveys, I would say that most people are feeling quite lost. This is not something that is taught in high schools: how to invest properly, what questions to ask; it's not even taught if you get up into post-secondary education. So people are dealing with something very essential to themselves—their money—but really we educate people very poorly on how to do this.

This is the role that the group could play. You mentioned the small print in the pamphlet. What this investors' association would be able to do for all investors—again, because the pamphlet is going out to all potential investors who may want to join—is magnify that small print. Right now the seller puts the key information in small print because they want to downplay that

key information. The organization would magnify the small print because it is the key information that consumers need to know, and be a place where any consumer could call. Even if they didn't join the organization, they'd at least be aware of it because they'd receive it in the mail-outs that the industry is sending, and the group would be able to magnify that small print, help people shop around and protect themselves, but also participate in policy-making and also help people complain and even go to court—again, all at no cost to the government and no cost to the industry.

The Chair: Mr Conacher, your time has expired. We appreciate your presentation this morning.

Mr Conacher: Thank you very much. If people have any further questions, they can contact me at Democracy Watch. We have several materials on our Web site under our citizen association page about this idea and how it's working in the US and how we think it should be working here in Canada. Thank you again.

The Chair: Thank you.

For the benefit of the committee, the 10:40 presentation has cancelled.

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DAVID YUDELMAN

The Chair: I ask that David Yudelman come forward, please. Good morning. You have 10 minutes for your presentation. You may leave time within that 10 minutes for questions, if you so desire. I would ask you to identify yourself for the purposes of our recording Hansard.

Dr David Yudelman: My name is David Yudelman. I'll mention a couple of things about myself for your benefit. I have worked for banks and financial institutions in Canada both as a staff member and as a consultant and writer. I've written speeches for various bank chairmen, such as Matt Barrett and Bill Mulholland, and for various Ontario ministers. I've worked as a consultant on the Toronto Stock Exchange. I've also written a fairly lengthy report for the federal government, giving a consumer view of Canadian financial services and suggesting ways to transform these services. My written submission, copies of which I think may already have been passed on to you, was drawn from this report, which was made public under the name *The Scorpion and the Frog*.

I mention my background to make two things clear. First, I'm not a specialist on the securities industry as such, although I have worked in the industry. My presentation will not focus on the fine details of securities regulation but rather on the overall relationship between consumers and financial services generally.

Secondly, I'm not here as a partisan to criticize the financial services industry on behalf of the consumer. I've worked in and for the financial services industry and I believe it provides consumer services at least as good as anywhere else in the world, and perhaps better.

I recognize the narrow boundaries of the committee mandate but I want to say at the outset that the consumer

does not distinguish between regulatory regimes. The consumer does not care whether something is under the jurisdiction of the provincial or federal government. The consumer wants solutions to problems, not jurisdictional excuses.

Those of us who know the complexity of Canada's regulatory regime may think the consumers' demands in this regard are unrealistic, but the desire for one-stop regulation is deep, and I would argue it's fundamentally a sensible argument. In the long run, it's an issue that Canadian governments in general must deal with. Therefore my aim today is to try to give you a bird's-eye view of the overall needs of the consumer in an age of increasing financial complexity.

In spite of the strength and efficiency of Canada's financial institutions, the consumer increasingly needs help. I've only been here for half an hour and I've already heard the appeals and concerns. Apparently simple decisions taken by consumers, compounded over time, can and do make an enormous difference to the financial future of Canadians. The difference between a secure, independent retirement and dependence on welfare can be very small. Compounding can work against the consumer; it doesn't always work for the consumer.

The flexibility and creativity of Canadian financial institutions mean that they can offer to the consumer a vast range of alternatives. Paradoxically, this bewildering range of options can make the consumer more vulnerable and more in need of protection than in other countries where the options are few.

Essentially I want to ask one question here today: Who protects the consumer in Ontario and in Canada?

Markets depend for their success on the belief of those participating in them. We have to believe that markets are fundamentally fair. If we free them up enough to allow widespread dishonesty and unfairness, people will go elsewhere and the markets themselves will falter.

One of the questions we asked consumers and industry respondents for The Scorpion and the Frog study was whether they believed financial institutions give consumers advice that primarily meets the needs of consumers, or whether the advice primarily meets the needs of the industry. The results were really revealing. If we exclude the neutral replies, the majority of consumers thought that the industry's advice was slanted toward the needs of the industry. But the split was only 39% to 26% in favour of cynics: 26% of consumers thought that industry advice was primarily geared to their benefit; the industry thought the reverse. It thought that its advice was primarily altruistic and focused on the needs of the consumer. But the split here was even smaller, with 41% of the industry saying the advice was altruistic and 36% saying that in fact the advice the industry gave was geared to the needs of the industry. There's nothing really surprising in that except perhaps for the fairly even balance between the views of the cynics and the optimists on both sides.

Then we asked the same question to a group of government regulators, as well as public servants working

within government financial services departments. Here the results were astonishingly different. No less than 60% of the regulator group thought the financial institutions give consumers advice that primarily fits the needs of the financial institutions—60%. Only 14% thought the financial institutions offered disinterested advice to the consumer. Clearly, the regulators and the public servants know something about the vulnerability of consumers that consumers themselves do not know. Also clearly, the industry either does not know this or is reluctant to admit it.

Given that you, as a committee, and the regulators whose work you are reviewing know only too well by now how vulnerable consumers are, what can be done about it? A number of solutions have been proposed, including—and I refer to Duff Conacher's presentation immediately preceding this—the encouragement of consumer associations.

In theory, I think this is an excellent suggestion; in practice, my research of consumer organizations worldwide and my experience with Canadian consumer associations show that they are weak, they're underfinanced and they're largely staffed by volunteers. Some of these volunteers are knowledgeable and dedicated, but they are the exception. Worst of all, Canadian consumer associations tend to be co-opted by the very bodies they are meant to oppose and actively seek out donations and sponsorship money from the industry. There's a price to be paid for these donations and for this sponsorship money.

I'm not trying to suggest that consumer associations have no role. With large and consistent arm's-length financial backing from governments—and Duff Conacher's suggestion is one way that this can be done; it's been tried for some time in the United States, with mixed results—some consumer associations have managed to do good work. Most notably, recently this has happened in the UK.

I would suggest that you note that consumer associations have never been consistently effective over time in protecting the interests of consumers, even in the United States, where the associations are the strongest, unless they have protracted government support. That brings the regulators back into the picture and it brings you as a committee back into the picture.

Another solution suggested to help the consumer of financial services is education. The major provider of this education in Canada to date has been the industry itself, which has offered consumers education programs as a public relations service. The Canadian financial services industry has in fact spent a great deal of money on consumer education programs. As you know, some of this money is contributed involuntarily as a result of fines imposed by regulators for a variety of misdeeds against the consumer.

1100

The Chair: I want to remind you that you have about a minute left in your presentation.

Dr Yudelman: To be fair, however, the industry has also contributed a great deal of time and money volun-

tarily and has done a good job of educating consumers about a wide variety of issues. But when it comes down to a clash of interests between the industry and the consumer, it is totally unrealistic to expect the industry to give advice against its particular interests. The industry's nature is to maximize its return on capital just as a scorpion's nature is to sting frogs. It is not only unrealistic, it is also unfair to expect the industry or the scorpion to act against its nature. Hence the title of the study I referred to earlier, *The Scorpion and the Frog*.

Shareholders expect their companies to maximize returns, not to primarily look out for consumers. That's somebody else's job. But whose job is it to look after consumers if they can't do it themselves? I suggest this question comes back to the job this committee has before it. At the very least, it's obvious that governments have a central role to play, but I would go even further and suggest that governments, and specifically regulators, have the most important job of all in protecting consumers.

This committee has an historic opportunity to make a major difference. Everybody knows the difficulties. They know about the tortuous regime of divided and conflicting jurisdictions, but the Australians had similar problems and they overcame them with political will and determination. We can do the same thing in Canada.

We need a single regulator for securities in Canada, without a doubt, and I think that's within our immediate reach. But beyond that, the provinces and the federal government need to create a single regulator for all financial services. If you like, do not think of the job ahead of you as looking out for the consumer of financial services; think of it as cleaning up ineffective and inefficient markets by making them fairer and more transparent.

One last point: Since regulation without effective enforcement is worse than no regulation at all, I would appeal to you to make sure that in future the regulators regulate and the enforcers enforce, and that those who attempt to distort the markets for their own personal gain be punished with more than a slap on the wrist. Thank you.

The Chair: Thank you for your presentation this morning.

ROBERT KYLE

The Chair: I would call on Robert Kyle. Good morning. You have 10 minutes for your presentation. You may allow time within that 10 minutes for questioning, if you wish. I would ask you to identify yourself for the purposes of Hansard.

Mr Robert Kyle: Good morning. My name is Robert Kyle. I'm an investor advocate. I appreciate the opportunity to come to you and speak on this issue of securities regulation in Ontario as it pertains to the five-year review of the Ontario Securities Act.

As was mentioned in the last couple of days, there has been quite an upheaval within the US markets, an under-

taking by Mr Eliot Spitzer to uncover fraud, misrepresentation and forgery and just general malfeasance within the US securities system.

I'm basically going to read to you from my slides. I have provided for the gallery in the back copies of all the slides so they can follow along if they like. I noticed the screens aren't really accessible to them.

I'm going to give you a lot of quotes so you'll have other people's feelings on the system as it exists today.

Mr Spitzer, in an article, "On the Warpath," January 25, 2004:

"The major failure has been at the SRO (self-regulatory organization) level.

"Whether you are talking about research or mutual funds or specialists, there has been a failure to properly question behaviour that they know about before anyone else."

On the next slide: "Self-regulation has been an abysmal failure—an absolute, abject, complete zero.

"It has done nothing to protect investors."

"Self-regulatory organizations (SROs) have scant incentives to monitor quality and expose fraud because fraud exposure is often interpreted by consumers as a bad signal of SRO quality."

In Canada, in Ontario in particular, the Ontario Securities Commission has recognized the IDA as a self-regulatory organization. When a government empowers a private association to perform a government function, they do so with guidelines in place. These guidelines are there to protect the public. They're there to prevent abusive use of that power.

I have provided you on this slide with one of the conditions of recognition in this province: "The guidelines for investigations of supervisory practices," dated May 1992, "are to be followed and updated." I received a letter when requesting those guidelines from the IDA. The IDA's response was that the guidelines document "is not current, nor has it been applied to our knowledge by staff of the ... IDA ... in any investigation...." That speaks volumes.

The OSC and the IDA, when they were requested through the Information and Privacy Commissioner, basically advised the Information and Privacy Commissioner that "the guidelines advise as to when and how the IDA will conduct investigations of member firm supervisory functions." Well, they've never used them, but they were able to keep them secret.

Oversight of the IDA is a failure. I quote from Jeff MacIntosh, law professor, director of Capital Markets Institute, University of Toronto:

"Nor is there effective oversight from other quarters. Politicians know little about securities regulation and care less." That may change today. "The Ministry of Finance struggles valiantly, but has neither the personnel nor the expertise to function as an effective cop. And the courts have given the regulators near carte blanche to make decisions that are perceived to be within their area of expertise."

No accountability to the public: Earlier today, Gloria Hutton was here and described to you her situation and

how she has applied for the OSC's audit of the IDA. Within that audit, two senior officials at the IDA were fired. Why were they fired? The papers report they were fired because they were changing fines and penalties—not one or two, but extensively. We can't see that report. The Information and Privacy Commissioner has ordered its release. They are contesting it, looking for judicial review in the Superior Court.

Conflicts of commitment and conflicts of interest at the IDA: The Ontario Court of Appeal, on June 25, 2003, in *Morgis v. Thomson Kernaghan*, stated—ruled—that the IDA has no duty of care to the individual investor.

The guidance posted for investors on the OSC Web site states the following: "Where the registered firm is a member of a self-regulatory organization ... either the IDA or the MFDA, you should direct your complaint to the enforcement division of the appropriate SRO."

The SROs have contracts with their members. They do not have contracts with the public. It's almost like having one lawyer represent both the bandit and the victim, while promising to act in the best interests of both. How is that possible?

IDA selective prosecution and fraud: Here's a recent case in which a broker admitted misappropriation of funds and forgery. They came to an agreement with the IDA that if he agreed to leave the industry, they wouldn't pursue it. What happens to the investors? How big is his bank account compared to their bank accounts?

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IDA—industry regulator, registered lobbyist and industry representative: "There is a well-documented propensity for specialized bodies such as agencies or regulatory commissions to develop very close relations with regulated entities. Specific mechanisms to assist the public interest and community-based interveners in policy-making and regulatory processes are needed to counteract this tendency."

On December 1, 2001, in the United Kingdom, the Financial Services Authority became the single regulator of financial services, banking and insurance. It assumed responsibility for supervising firms formerly regulated by SROs. There is no reliance upon SROs under the UK act: "One of the reasons for abandoning self-regulation is that SROs were viewed as associations that represented their members' interests over those of the investing public." That was in the draft of the Purdy Crawford five-year review of the Ontario Securities Act. But after speaking with the IDA and the Nova Scotia Securities Commission, that did not make it to the final draft of the separation of the roles of the IDA.

Sitting on the fence: "The IDA is Canada's only national entity with delegated responsibility"—delegated responsibility—"for securities regulation and investor protection." This is evidence given by Mr Joe Oliver, president of the IDA, to the Senate standing committee on banking, trade and commerce. But in a courtroom, in their factum, when they were opposing an investor who tried to include the IDA in a lawsuit, the IDA stated that it is "merely an unincorporated voluntary association of

securities dealers governed by a constitution, bylaws and regulations which deal with the conduct, management and control of the association's affairs.

"Although the IDA is not a statutory body, it does operate within a statutory regime." That's in their factum.

The IDA had their annual conference this summer. These are a couple of pictures from their pamphlet. I don't know if you can read it in the picture. It says, "Survey the field, weigh all options, bide my time... but when should I make my move?" What does this fox remind you of? Perhaps a fox guarding a henhouse? Below, it says, "Cunning and clever, successful in out-smarting adversaries to achieve goals." It's written in the margin. Who are their adversaries?

A consumers' nightmare: Mr David Yudelman was speaking a few moments ago. From within that report, the Scorpion and the Frog, I make this extraction: "The regulation of financial services in Canada, according to Dr Yudelman, 'remains a consumer's nightmare, a tangled, confused structure divided by type of government, type of financial service, government regulation versus self-regulation and by prudential and market regulation.'" He's saying it's a mess. The consequence of any inaction may well force a greater dependency on the social safety nets provided by government.

No transparency: Yesterday, Mr Brown delivered his Coulter Osborne report. How many months late was it—six, seven? What did he need the extra time for? I think we got that yesterday from Ms Deb Matthews, who made it quite clear that he went and shopped around to get the legal opinion he required. This is a quote from Mr Brown, the chair of the Ontario Securities Commission:

"Somebody said to me, 'Boy, if we have a scandal in Canada, we are going to have to be as transparent as the United States.'

"And I said, 'Well, if we are, we could just destroy our markets.'"—David Brown, OSC chairman. Is this what we deserve?

The Chair: I remind you that you have about a minute left in your presentation.

Mr Kyle: I hope everybody has the slide presentation in front of them, because I'm never going to finish. I'm going to skip to the very last one.

The Wealth of Nations, 1776: "The interests of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public.

"The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention.

"It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have upon many occasions, both deceived and oppressed it."

The OSC's measure of success, as stated by Ms Rebecca Cowdery: "If the industry won, so did

investors," speaking to the NI 81-107 new mutual fund governance rules.

I leave it to you to decide whether Adam Smith or Rebecca Cowdery has a better grasp on the criteria that you as a committee should use to gauge the success of the current regulatory regime vis-à-vis ensuring the public interest. Again I'll go back to her comment: "If the industry won, so did investors." Please weigh that.

Investors deserve better. We need an independent tribunal charged with a clear mandate of investor protection, empowered by legislation to decide issues of law and to order financial redress for abused investors whenever appropriate. Fix the system.

Based on what you've seen here today, I've given you more than just my impression. You've seen many different accredited individuals speaking out on securities regulation. We're not that much different from the US.

In my view, if Mr Brown is trying to preserve the capital integrity of these markets—you do not do so by hiding what is happening within this industry. That is not preserving the integrity. You may preserve the level of the TSE, but it's a false economy.

The Chair: Members of the committee do have a hard copy of your presentation. Thank you.

CONSUMERS COUNCIL OF CANADA

The Chair: I would call on the Consumers Council of Canada, please. Good morning. You have 20 minutes for your presentation and you may allow time within that time for questions, if you wish. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms Whipple Steinkrauss: I'm Whipple Steinkrauss, the vice-president of the Consumers Council of Canada. To my right is Michael Lio, our executive director.

The Consumers Council of Canada is an independent, not-for-profit federally incorporated consumer organization which works in partnership with business and government, helping to manage today's consumer issues. It's arguably the most active consumer group in Canada. Our goal, as I say, is to work collaboratively to advance the voice of consumers.

Our members acknowledge and support the eight international consumer rights. They're listed here in the attachment we have given you. We believe it's good business to manage consumer issues effectively and we encourage organizations to work with us to do that.

Today we're here to speak to a number of issues related to overall governance, information and disclosure, representation, redress and consumer education. Studies by the Financial Consumer Agency of Canada, consumer organizations in Quebec, the Cartier Group and our own council all indicate a shockingly low level of financial literacy in Canada, despite the fact that virtually all Canadians are involved with the financial sector and increasingly with the securities industry. Not surprisingly, given their complexities, the insurance and securities industries are the least well understood. As was indicated earlier,

the primary source of information about savings and investment vehicles is the industry itself. One third of the people studied in these studies that we've mentioned earlier find the information provided to them difficult to understand. Those most satisfied with the current system are well-educated men between the ages of 45 and 65. Those most in need of assistance and most vulnerable are the young, the less well educated and women, especially those over 65. We present this information against the backdrop of a changing environment.

There are five things that we think have made a big difference in this industry:

(1) Low interest rates are driving small investors, especially seniors relying on capital returns for most of their livelihood, into higher-risk investment vehicles such as equities simply to survive.

(2) The decline in defined benefit pension plans has brought many new players into the equity markets, either as overseers or direct managers of what will be their pension investments.

(3) The sales culture in the investment industry has become increasingly aggressive. What you need to look at here are the compensation practices of these firms. For example, in many companies the people who sell the most get a higher commission on the overall sales than do those who sell less. There's a tremendous incentive to sell. The people who have the smallest book at the end of the day get dumped. As a result, there's a lot more churning and so on because of these kinds of practices.

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(4) There's a host of relatively new, quite complex investment vehicles now being aggressively marketed to the small investor and to people who have neither the skills nor the expertise to understand them and hence to assess their appropriateness for their own portfolios.

(5) Unsophisticated investors tend to rely on the professionalism of the industry for their financial health, just as they would on a doctor for their physical health, because they lack the knowledge and skills to assess the advice given.

(6) Contracts covering arrangements such as wrap accounts are designed to make the industry as bullet-proof as possible. I've gone over some of these contracts with two or three people and they are literally a power of attorney for the firm. It's one of the reasons redress is so difficult.

While the majority of people in this industry, like all others, are decent individuals striving to produce reasonable results for their clients, there are a number who profiteer at the expense of the guileless and the less informed. It is the council's view that the current regulatory regime is failing this group, and this is our primary concern.

With overall governance, as was mentioned earlier, self-regulatory organizations do not necessarily have an incentive to monitor quality and expose fraud, because of the way it makes them look. The council supports the proposition that in all corporations, be they public or private, whistle-blower protection should be afforded to those who expose illegality and wrongdoing.

We would go further. We would suggest that, where those people who are aware of it do not do so, they can be held accountable and liable for aiding and abetting that dishonesty. I think that piece would make a huge difference in terms of what happens. We've seen so much now, in crown corporations and private companies, where people have been intimidated into not saying anything, and we need to do something about that.

There are interesting examples of self-interest in this industry. For example, the IDA has long been seeking statutory immunity enjoyed by governments despite the fact, as was mentioned earlier, that it has no legal mandate to act in the public interest or to protect the consumer, and a recent court case found it had no duty of care to the individual investor. Further, it can impose fines and drive people out of the market but it has no authority to collect the fines once they've left, and that does little to help the investor who may have lost his entire life savings.

The existing arbitration process is based on a court model. It's expensive and simply not affordable for many small investors, the major cost being that they need to engage relatively sophisticated legal advice in order to present their case. Add to this the limits on compensation, the time it takes to get a remedy and the forfeiture of the right to sue and you can understand why consumers conclude they are badly served by the system.

Other jurisdictions, as mentioned earlier, have recognized the limitations of SROs. Britain has done away with them entirely. Others have given outside bodies the authority to undertake operational reviews of them. We have neither here to the same extent.

While the council does not purport to be an expert on what might be the best model of governance to achieve the dual role of investor protection and fostering fair and equitable capital markets, the conflicts of interest in this existing system are simply unacceptable. There is clearly a need to improve investor protection by rebalancing the interests of the investor and the industry. The consumer protection role should be completely removed from industry control, and part of the fees paid by registrants should be allocated to an independent consumer protection authority that has no other role.

With respect to information, it is difficult for a small investor to get the information needed to make wise purchasing decisions. Often, it is verbal and limited to facts that sell the product. For example, rarely are individuals told that sellers get much higher levels of compensation for rear-end loads than front-end loads or no-load funds. They are simply told, in order to sell it, that there's no charge for this transaction. This makes them very attractive to those with the fewest resources and the most vulnerable, like the young, the elderly and so on. Most investors have no idea how salespersons earn their income, unlike, for example, a real estate person, where you know exactly what that person earns from that transaction.

Know-your-client forms are a key component, it is said, in this effort to assess consumers and provide

appropriate information, yet, these are only used to encourage appropriate investments. The forms are not standardized. The terms used are not defined. Many do not require the signature of the investor. The investor often is not given a copy and, finally, there is no requirement that they be reviewed at regular intervals.

So what happens on the ground? We'll just give you three quick examples. We've been told of aging seniors with 80% of their portfolios in high-risk equities—and these are solicited trades. This is not someone who's wanting to make a quick buck who says, "I want so many shares of whatever." These were solicited trades. We've been told of people, within a year and a half of the necessary RRSP rollover to a RIF, having their entire portfolio, or most of it, converted to rear-end load equity funds. Suddenly they're 69 years old, they have to take out their first 5% or 6%, and the portfolio lists 1%, so they have to sell. Guess who makes the money? You could never call that a conscionable transaction. You could never call that, under any circumstances, reasonable advice, and it happens to people. These are the kinds of things that are happening. There are also other kinds of cases we could go on at length about, but we don't have time today.

Regardless of what percentage of transactions in the industry are like this, the council believes their numbers are going to increase. The reason they're going to increase is because more and more people with lower levels of literacy are coming into the markets. We're going to see a problem, I think, if we don't deal with this.

When written information is provided—for example, when one opens an account—it can be overwhelming to the average investor, both by volume and it is not well understood. A separate consumer protection authority could mandate standardized, plain-language documents and the process to be used when informing new investors.

Another major concern of our council is the practice of putting confidentiality clauses in settlements between the industry and an individual investor who has been the victim of malfeasance and, indeed, in some cases, outright criminality. As a result, a prudent investor has no way of finding out that a particular trader has a bad track record. And if there are no criminal charges pursued, that person gets back in the industry, sometimes simply by moving to Manitoba, or if he's in Manitoba, moving to Ontario. The culture of the industry is to keep all these matters quiet, so as not to undermine confidence. From our perspective, the only cases that ever get referred to law enforcement are those where the industry loses a lot of money; very rarely when something can be covered up.

The council recommends the law require the industry to report all illegal activity to the law enforcement community and that charges be laid where appropriate. There are a lot of very serious crimes being committed that are covered up by a deal and a confidentiality agreement, and this should not be occurring.

Finally, on redress: Arbitration between parties with widely different levels of resources at their disposal is not

a suitable mechanism for resolving disputes. In the case of the securities industry, it has significant resources to defend itself. The most significant cost to the individual, of course, is the cost of legal services. The court process can be very long and drawn out. I'm told that arbitration in Ontario can cost upwards of \$15,000. When you add to this the cap of compensation at \$100,000, that the decision is binding and therefore no further legal action be undertaken, you can understand why a lot of people do not pursue redress. They don't know whether they're going to succeed; it's just another cost added to it. Frankly, you have better consumer protection in Ontario if you're buying a travel package or a used car, because you've got a comp fund you can go to at no cost, than when you get cheated by the securities industry.

What should a redress mechanism for the small investor be characterized by?

Minimal, if any, cost, with frivolous claims pre-screened;

An industry code of conduct developed by industry and consumers;

The availability of expertise to assist the investor to address the imbalance of power and resources;

Timelines around resolution; and

An unbiased panel to rule on the matter, with equal consumer and industry representation and an independent chair, whatever form that takes, be it a tribunal, a committee, whatever. That's the kind of format we think would be appropriate.

The council is aware of investors who have won significant settlements in court, but in one case it was drawn out over 10 years. If you're an older person, you're probably going to die, either of a broken heart or some other ailment, before you ever get the settlement. It just goes on and on and on. There are appeals and so on. This is not helpful.

11.30

For consumer education: As we indicated at the outset, the level of financial literacy among Canadians is shockingly low. There are three or four studies available that I'm sure you may already have in hand, but we could provide them, if necessary. One of the most striking findings for the council was that people actually overrate their financial literacy. They know less than they think they know, and they don't get answers because they don't know any of the questions. This adds significantly to their vulnerability.

The council believes this is a serious problem, and one which governments, even in their own self-interest, should address immediately. If significant numbers of less financially literate citizens are left to navigate the complex financial services industry without help, many are going to reach their retirement years with little, if any, income because of unwise decisions made with their pension assets. The same fate may befall some of our less sophisticated seniors.

A consumer education program is needed. Ideally, it should be part of an industry-independent redress authority. Industry fees could resource consumer education.

The authority should produce up-to-date, plain-language materials, available as needed, in a variety of formats, and a telephone hotline service for those seeking independent advice. We're not talking about recommendations on specific products but information on how to assess them.

We trust our perspective will be helpful in your decision-making and thank you for your attention.

The Chair: Thank you for your presentation. We have slightly less than six minutes for questions. That's two minutes per party. We'll begin with the government side.

Mr Berardinetti: I want to thank you for coming here today and for your presentation. Can you just briefly provide a bit more information about the organization that you represent? I know it's contained in the material, but I just wanted to know a little bit more. Is it basically a seniors' group?

Ms Steinkrauss: No, no. It's a multi-issue consumers association. It's been in existence about 10 years. It's federally incorporated. We exist to provide a consumer voice. We work particularly on public policy issues and corporate policy issues. We've been involved with both the corporate community and government committees of various sorts in trying to change practices, law and so on to enhance the voice of consumers. We receive our funding from a variety of sources: individual memberships, corporate memberships, government projects and so on. We have a policy that no more than 30% can come from any source so that we can remain independent.

Mr Berardinetti: Thank you.

The Chair: We'll move to the official opposition.

Mr O'Toole: Thank you very much for your presentation. It's good to see the consumer protection—or whatever your mandate is. It would appear that you say on page 4 that, "The council's primary concern is the protection of the small investor, recognizing many of whom are not investors by choice."

Do you have any specific advice with respect to the two challenges here: the national securities regulator and the issue of separation in governance of the judiciary from the regulation-making authority, the OSC? Do you think they should be separated? If so, how?

Ms Steinkrauss: We definitely think the adjudicative function should be separated from the overall regulatory function. We think that it needs to be an independent body. Now, we're talking about the small investor here. There may be a different set of rules for pension funds, institutional investors and so on, and we don't have any difficulty with that. You've got very highly paid people who can take on some of those types of cases. We can't speak with expertise to those issues. What we can say is that for the ordinary citizen who has a difficulty, there is simply not a vehicle that is affordable, that's timely, that has some of those characteristics I mentioned. So definitely—

Mr O'Toole: Would you do that by claim level or entitlement? A small loss would have one process; a large institutional loss, like pensions funds, would have another one?

Ms Steinkrauss: I would tend to do it by individual versus corporate. Think of someone who's got \$1 million. It seems like a whole lot of money. But this is a person who's been at a small business all of their lives, and they don't have any other pension. So if they get 5% on that, they get \$50,000 a year. This does not make them a wealthy person. As a pensioner, that person also has to reinvest some of that money to generate money going down the road.

So there are people like this who are coming to our attention, who are losing \$200,000 and \$300,000. There was a case that I read not too long ago of a woman who had a little over \$1 million. In three years, she went through \$300,000 in trades from churns.

You see, once you've agreed to it, it's hard to win this in court. They don't want to go to court because—someone has phoned them up and said this is a great idea, and they're not too sophisticated. Also, in a wrap account, sometimes they've literally signed away their rights. You should see some of these contracts. It would be important for this committee to read some of the wrap contracts. I had two or three different people read them. One was an accountant who was a vice-treasurer of an oil company and another was a person who had worked in the securities industry. All of them said, "Over my dead body would I sign a document like this."

The Chair: We'll move to the NDP and Mr Prue.

Mr Prue: We've heard for the last two days from a number of individuals who feel like they're getting ripped off by the system. We heard today that there is very little money being spent in actual enforcement by the OSC. In comparison to the American counterparts, it's half, a third or a quarter and the number of prosecutions is surprisingly low.

Would you think that the enforcement of the act and beefing up the enforcement in a proper adjudication system is the major issue facing consumers?

Ms Steinkrauss: It is. The other one is simply the cost and timeliness of redress where there is a problem. In any industry, you're going to have malfeasance. There's a certain percentage of people, it doesn't matter what they do—

Mr Prue: It seems like this one has a little bit more than his share.

Ms Steinkrauss: That's right. The incentives for malfeasance are high. As I say, another one is compensation practices. They're very interesting.

Actually, we've been contacted by brokers in the industry who've said, "If you could fix this, we'd love it."

The Chair: Thank you for your presentation this morning.

CANADIAN PUBLIC ACCOUNTABILITY BOARD

The Chair: I call on the Canadian Public Accountability Board. Good morning. You have 20 minutes for your presentation. You may leave time within that 20

minutes for questions, if you wish. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr Gordon Thiessen: Thank you, Mr Chairman and members of the committee. My name is Gordon Thiessen. I am the chair of the board of directors of the Canadian Public Accountability Board. With me is David Scott, who is the CEO of the board.

The job of the Canadian Public Accountability Board, or CPAB as we call it, is audit oversight: overseeing the auditors of public companies and other reporting issuers.

We appreciate the chance to talk to you. We have provided the clerk with copies of a letter to you that sets out in more detail the matters I want to talk about today.

Essentially we're here to ask the Parliament of Ontario to consider some amendments to the Securities Act, amendments that would enhance the effectiveness of our oversight role. Our request has the support of the chair of the Ontario Securities Commission, David Brown, who is also the chair of the council of governors of CPAB.

CPAB is a not-for-profit organization. It was created in April 2003. This was after the date of the final report of the five-year review committee, as Purdy Crawford mentioned to you this morning, so that committee did not specifically discuss a role, but in its report did stress the importance of investors being able to rely on audited financial statements. That's where we come in.

Our purpose is to encourage high-quality external audits of public companies and other reporting issuers by enforcing quality standards for audit firms subject to our oversight, by inspecting the work of those firms and, where necessary, imposing requirements, restrictions and sanctions. In addition to our own direct remedies, we will refer any appropriate matters to provincial securities regulators and to provincial accounting bodies, where needed.

A council of governors, which is chaired by David Brown, appoints the directors of CPAB. The board consists of 11 individuals who cover a broad spectrum of experience and perspective and who come from across Canada. Eight of the 11 directors, including the chair and vice-chair, are independent of the accounting profession. Five of the directors on the board are resident here in Ontario.

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Canada's securities commissions now require public accounting firms to become participants in our oversight program if they wish to audit the financial statements of reporting issuers, and so far, over 200 audit firms have registered with us. The participating audit firms enter into an agreement with us whereby they agree, among other things, to abide by a set of rules that govern our relationship with them. Our inspection activity commenced in April this year and it began with the four largest accounting firms. These firms collectively audit over 70% of the reporting issuers in Canada by number, and if you look at them by market capitalization, these four firms audit essentially 90% of reporting issuers. By the end of this month, we intend to issue a public report on the broad conclusions coming out of our inspections so far.

So CPAB is an important element in the Canadian securities regulators' investor confidence initiatives. We are comparable in function to the Public Company Accounting Oversight Board, PCAOB, or "peekaboo," as some people call it, that was created under the Sarbanes-Oxley Act in the United States. It, of course, was part of a response to the high-profile corporate failures: Enron, Worldcom etc. We strongly believe that there is a need for legislation in Canada that would give CPAB statutory powers and protections similar to those that the PCAOB has under Sarbanes-Oxley.

In the short term, we are relying on a network of agreements with participating audit firms and with provincial accounting bodies. These arrangements have allowed us to commence our inspection work, but they cannot adequately duplicate what could be accomplished by legislation. It is apparent to us that our efforts in audit oversight will be constrained if we cannot obtain a sound statutory footing.

All of our requirements could be accomplished by means of amendments to provincial securities legislation. We have in our letter to you, Mr Chairman, provided illustrative wording that we believe could be added to the Securities Act.

Let me quickly tell you about the issues that face us here. First is the issue of statutory immunity. CPAB, including its governors, directors and staff, is exposed to the risk of litigation now that we have begun our inspection activity. Sooner or later our inspections are going to uncover circumstances that may lead us to impose serious restrictions or sanctions on a public accounting firm, and that could lead to some retaliatory litigation. This is of particular concern to the members of our board of directors. Without statutory immunity, there is a significant risk that in the future we are not going to be able to attract high-calibre board members or, indeed, professional staff, and they are essential for an effective, independent auditor oversight program.

Persons acting on behalf of the securities commissions, provincial accounting bodies, and the PCAOB in the United States all enjoy statutory immunity for good faith conduct. We don't see any strong argument against the provision of comparable statutory immunity for those of us, acting on behalf of CPAB, exercising auditor oversight powers in good faith. Indeed, we believe that the lack of statutory protection may compromise our ability to carry out our role with the vigour that it should have.

We also believe it is advisable to make CPAB and its inspectors immune from subpoenas in unrelated matters. Exposure to subpoenas undermines our ability to protect the privacy, confidentiality and privilege of information that we gather as part of our auditor oversight process.

This leads me to my next point. We need statutory access to confidential, private and privileged information to carry out our work properly. Our inspection and investigation activity requires us to collect and retain confidential and possibly privileged information about the accounting firms and their clients, as well as personal

information about the individual partners and the staff. However, accountants' professional obligations to protect their clients' confidential information limit our ready access to, and use of, such information. Moreover, accounting firms, not surprisingly, are concerned that disclosure of certain information to us may constitute a waiver of solicitor-client privilege. This is a complex area which we can't really explore fully with you today, but it is covered in more detail in our letter to you, Mr Chairman.

Just let me provide you with one example. We need access to personnel files to understand the basis under which individual audit partners and staff and firms are rewarded and promoted. We need to know about their attendance and training courses to make sure they keep up to date and we need to know about their professional qualifications.

Currently, our access to that information is achieved by requiring every single professional in every audit firm to sign an agreement and consent. There are thousands of people affected. It's a substantial burden for the firms to secure all these consents, and there's a risk that we won't get all the documents and that consents may not be enforceable in particular cases. So the extensive burden and management risks and legal risks could be alleviated if securities legislation in each province and territory were amended to authorize our collection and use of personal information.

We're a national organization, but our oversight of auditors' publicly traded companies relates to provincial responsibility for securities legislation. The legislative change that we seek needs to be implemented in every province. We're currently concentrating our efforts on the four large provinces that are home to the large majority of reporting issuers and their auditors. Provincial securities regulators in all these provinces support the necessary changes we are asking for with respect to securities legislation.

In the case of Alberta, we now have a letter from the minister indicating that the Alberta government is prepared to act on our request. We've encountered a positive reception in BC, Alberta and Quebec. But it is in Ontario, the home of the TSX, the centre of Canadian capital markets, where legislation is really crucial if the Canadian Public Accountability Board is going to play its role effectively in investor protection.

We appreciate the opportunity of bringing our concerns to your attention. We're happy to answer any questions and provide any information you may require either now or later. Thank you, Mr Chairman.

The Chair: Thank you. We have about three minutes per party and we'll begin with the official opposition.

Mr O'Toole: Thank you very much, Mr Thiessen, for your presentation. I appreciate that. It's a pleasure to take the time.

Just a general observation: It seems everything I pick up, David Brown is either chair or involved directly; it's interesting. I'm not sure if there's any conflict there. I don't say that in any derogatory fashion. He must be

eminently respected in terms of his understanding of not just the market but all of the various players.

I was interested today—I don't want to appear as totally an advocacy type. We've had a lot of those presentations today, so I get on the wavelength there a bit. One of the recommendations by Mr Kyle today, on page 32, which I thought was a fairly innocuous little recommendation, is that the Provincial Auditor should undertake an audit of the OSC and IDA and the MFDA, some of the organizations. When the auditor, Mr Peters, was there, I had the greatest respect. We've always said that crown corporations, school boards and hospitals should all have oversight. Since the OSC is sort of seen to be a branch of government, would you have a problem with that, an oversight audit of those self-regulatory organizations and the OSC?

Mr Thiessen: That the OSC does the audit of these organizations; is that what you mean?

Mr O'Toole: Yes. The public auditor would audit this OSC, the IDA and the MFDA.

Mr Thiessen: Not on the face of it, but I must confess this is not an area that I'm particularly familiar with, so it would not be an informed opinion. I don't know, David, if you've got a view about that.

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Mr David Scott: I actually know Erik Peters very well. He does do some audit work at the OSC; I know that. I don't see any problem in his doing an operational audit of the OSC and of some of the SROs. We should be clear that we are not an SRO under this structure.

Mr O'Toole: I understand that. I appreciate your input.

The Chair: Thank you. We'll move to the NDP.

Mr Prue: I'm still trying to understand, if you're not an SRO, who set you up. I don't understand. We've got this whole thing. Who set you up? You're not a government agency and you're not an SRO, so who set you up?

Mr Thiessen: We were set up by the various securities regulators. The council of governors that essentially set us up is made up of the chair of the Canadian Securities Administrators, the chair of the Ontario Securities Commission, the chair of the Quebec securities commission, the federal superintendent of financial institutions and the president of the Canadian Institute of Chartered Accountants. That's the group that set us up. That's the group that appointed the board of directors.

Mr Prue: Who pays the bills? That will tell me more than anything else.

Mr Thiessen: The audit firms pay the bills. We essentially impose on them fees to cover the cost of us doing our inspection services.

Mr Prue: They are required by law, under what statute, to give you the money?

Mr Thiessen: They are required under a securities regulation that was passed by the Canadian Securities Administrators that says that any public company or reporting issuer in Canada has to be audited by an audit firm that is subject to the oversight of the Canadian Public Accountability Board. So if you're an auditor and

you want to audit public companies, you have got to register with us and submit to our oversight. That is what gives us the clout we need.

Mr Prue: And you have that clout without any legislation at all?

Mr Thiessen: That's right. But one of the reasons we're here is that we do feel we need some legislative base. Right now we're essentially operating with the benefit of this regulation plus a series of contracts the participating audit firms have signed with us. But this is not as strong a base as you'd like to have if you're going to engage in oversight.

The Chair: Thank you. Now we'll move to the government side.

Mr Delaney: Do CICA or any of the provincial institutes have within their powers the ability, through regular practice inspection, to do any part of the oversight of the accounting firms that you've described?

Mr Thiessen: Absolutely. We are in the process of setting up arrangements with each of those provincial accounting bodies across the country. While it is our intention to inspect the very large firms, the Big Four, we're then going to also inspect the next, middle-sized ones. We're also going to inspect any audit firm that audits a public company that is registered in the US, because the American PCAOB wants that comfort from us. But for the smaller auditors that remain, we are essentially going to sign memorandums of understanding with each provincial accounting body to continue to do that work. We will work together with them. Hopefully it will be done to our standards and subject to our oversight.

Mr Delaney: That's pretty thorough and comprehensive, and in my experience the provincial institutes have some teeth. So over and above the 95 recommendations in the five-year committee final report, what major amendments need to be made to securities acts across Canada?

Mr Thiessen: The major amendment, from our point of view, is that we want to give CPAB some legislative standing, some statutory standing, in every province, standing that would give us statutory immunity from suit, legislation that would give us access to confidential, private and privileged information and legislation that would protect us from subpoenas in unrelated areas. We're in a situation now where there's some concern about providing us with information for fear that you lose your privilege the moment you give it to us. If you were involved in a court case, all of a sudden that privilege could be waived. That's what we're looking for.

Mr Delaney: Thanks. That answers the question.

The Chair: Thank you for your presentation this morning.

SANDRA GIBSON

The Chair: Our next presenter is Sandra Gibson. Good morning. You have 10 minutes for your presentation. You may allow for questions within that 10 min-

utes, if you so desire. I would ask you to state your name for the purposes of Hansard.

Ms Sandra Gibson: My name is Sandra Gibson. I am currently engaged in a lawsuit against TD Bank and a broker who did work for them. Having heard other speakers this morning, I recognize that there are those who are far more educated and articulate than I to discuss the problems of accountability and transparency. So I would like, if I may, to tell you about my direct experiences with the OSC and the IDA, in the hope that it might help you to recognize the problems as they currently exist in the system and what appears to me to be a very convoluted, if not incestuous, relationship between the IDA and the OSC, all to the disadvantage of abused investors.

My first experience with these regulatory bodies was when I contacted the OSC in April 2003. That was the time at which my problems with TD Bank crystallized. Because TD Bank did not offer any help to me whatsoever, even though my investments at that time were in a most precarious position, I had to go elsewhere to seek help. I was fortunate to have been recommended by a friend to a small private investment firm that recognized the urgency of my situation and the problem of having to act quickly to protect me from further losses.

The principal of the small firm advised me to contact the OSC and the IDA and to write a letter to TD Bank, with copies to Ed Clark and on down. I followed all three of his suggestions. My first contact was to call the OSC and describe my problem to them. I do not recall the exact wording of the conversation, because it was well more than a year ago, but it was made very clear to me that I should be speaking to the IDA, that my problem was inappropriate for the OSC to be dealing with.

Because I couldn't recall the conversation, I decided, as an exercise, to call the OSC this week. I spoke with a Mr Kamal Khanna and briefly described my problem with TD Bank. Mr Khanna stated to me quite emphatically that all problems concerning members of the IDA had to be referred directly to the IDA for arbitration. I told Mr Khanna that I was aware of the lack of power of the IDA, in terms of the fact that they cannot grant restitution. Mr Khanna spoke, again most emphatically, and said that the OSC cannot order financial restitution.

Well, I don't know if you're familiar with the section of the Securities Act that states very clearly that the OSC can require the court to order restitution to a company or individual. So I would like to ask all of you when Mr Brown or his predecessor made the decision that they wouldn't bother dealing with individuals, and on whose authority did the head of the OSC make that decision? As I'm aware, there has been no amendment to the Securities Act, has there? Can someone answer that question?

The Chair: We're here to hear your deputation. I must admit that I'm not aware of a recent change, but that doesn't mean one couldn't have happened. The committee is not prepared to answer questions on behalf of other groups.

Mr O'Toole: We could leave that with the committee as an open question.

The Chair: Yes. The committee will take that as an open question and seek an answer to it.

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Ms Gibson: Thank you. As it happens, I did have an experience with the OSC at the corporate level. It was, in fact, by accident, but I would like to relate that experience to you as well.

During June of this year, I attended and witnessed a shareholders' meeting of a corporation held here in Toronto. I had been told the OSC was investigating the company, but I had no way of knowing whether that was true or not.

After the meeting, quite by accident, I was introduced, along with several other people, to a man who stated he was an OSC investigator and that he had been looking into the particular company for over a year. He was wearing a T-shirt. During the course of the ensuing conversation, the investigator volunteered the information that he had "only a grade 12 education." He also wondered aloud, in the presence of a number of shareholders, whether perhaps the particular company should not be referred to the police for investigation.

Because I was in some doubt as to the status of this individual, I did call the OSC a few days later—I had his card—and inquire whether, in fact, he was employed there. He is.

I wish you had been present to witness the expressions on the faces of a number of American shareholders who were present at the meeting, because the company I'm referring to is closely affiliated with another corporation which is publicly traded in New York.

You say that I cannot ask questions, Mr Hoy, but perhaps you would consider how it would be possible for someone with a grade 12 education to investigate companies of the complexity I've referred to. So much for the OSC.

I also wrote a formal letter of complaint to the IDA in April 2003. I did receive a response from Mr Popovic. He included the standard brochure from the IDA; I don't know whether you're familiar with it. In my case, he might have saved his paper, because there is nothing offered here that would have helped me in my situation. I think you would have to agree that perhaps the IDA, in terms of settlements or restitution, is a little out of step, a little behind the times. For example, the process of arbitration is available to individuals who have lost \$100,000 or less. If you've had a look, I think you'd discover that many, many individuals have lost a great deal more than that, including myself.

The other option, of course, is to go to OBSI, the provincial ombudsman. Again, that did not suit my purposes. So it was very clear to me very early on that the only option available to me was to initiate civil action. I'm sure you're now aware, having heard other speakers, that this option is available, really, to what must be a small minority of abused investors, because the costs are enormous. One law firm I interviewed informed me that if I settled out of court, the legal costs would be \$50,000; if I proceeded to court, the costs would be between

\$125,000 and \$150,000. I think it's pretty clear, isn't it, that there aren't many of us who are in the position to follow that route.

The other thing I would like to refer to—and to me it's an outstanding situation—is gag orders or confidentiality agreements. The lady from the consumer council has already mentioned it, but I wonder if you would stop and think about the fact that if I bought a new car and the car was defective and the manufacturer replaced the car, would they ask me to sign a gag order? If I bought a new house and it proved to be structurally defective and I sued the builder, would he ask me to sign a gag order? Why is it that the industry gets away with this? The only reason, obviously, is they don't wish the public to be apprised of the extent to which there are misdemeanours occurring within the industry. Yet we consider this the norm, the common practice.

The other item I would like to mention is that it has repeatedly been made clear to me by various members of the legal profession and the investment industry that when I proceed with my lawsuit and either discuss settlement or, I guess, go to court, certainly in the settlement process I will be deemed very lucky if I am offered 50 cents on the dollar. Why should that be? Why would I not be permitted to recoup all the money I have lost?

I really feel that's about all I have to say. If you'd like to ask me questions, I'd be pleased to answer.

The Chair: Regrettably, our time has expired. I will have the researcher go over your question with you before you leave, if you wouldn't mind taking a minute for that. The committee thanks you for your presentation this morning.

The committee is recessed until 1 pm.

The committee recessed from 1205 to 1303.

ADVOCIS

The Chair: The standing committee on finance and economic affairs will please come to order. Good afternoon, everyone.

I invite our first presentation of the afternoon, Advocis, to come forward, please. Welcome to the committee. You have 20 minutes for your presentation. You may allow time for questions within that 20 minutes, if you so wish. I would ask you each to identify yourself for the purpose of Hansard.

Mr Steve Howard: My name is Steve Howard. I'm the president and chief executive officer of Advocis.

Ms Sara Gelgor: Sara Gelgor, director of regulatory affairs, Advocis.

Mr Dennis Caponi: Dennis Caponi, practitioner, member of the board of directors of Advocis.

Mr Howard: Good afternoon, Mr Chairman and distinguished committee members. I will be using approximately two thirds of my time today for presentation remarks, after which we would be pleased to answer any questions you may have.

I am Steve Howard, president and CEO of Advocis, which is the Financial Advisors Association of Canada.

As you know, I am joined today by Sara Gelgor, who is the director of regulatory affairs at Advocis, and by Dennis Caponi, who is the chair of its public affairs committee. Mr Caponi has over 30 years of experience as a financial adviser and will join me in addressing any questions you may have following my presentation. Mr Caponi holds an insurance licence, a mutual funds licence and a securities licence. Thank you again for the opportunity to appear before you today.

Before I proceed to the substance of my presentation, allow me to give you a brief overview of Advocis. Advocis is a voluntary professional membership association of financial advisers within Canada, with 16,000 members. Our members are financial advisers licensed to distribute life and health insurance, mutual funds and other securities products. Advocis members provide financial and product advice to over 12 million Canadians across a variety of distinct areas, including estate and retirement planning, wealth management, risk management, and tax planning.

Advocis continues its history of serving Canadian financial advisers, their clients and the nation for almost a century. Advocis is committed to professionalism among financial advisers.

I would like to congratulate the Crawford committee on its detailed and far-reaching report. We are here today to address one key recommendation made by the committee, and that is the establishment of a national regulator.

Advocis supports the establishment of a national regulator. We believe that national regulation can be a viable approach to the regulation of capital markets where a single regulator can truly achieve greater efficiencies over the current model. You've already heard from a number of presenters on this issue, many of whom have undertaken a great deal of work to consider appropriate models of capital market regulation. While we do not take issue with much of what has been said, we are here to suggest to you that the other presenters and commentators have overlooked one important point: Consumers are best served by independent-minded professional advice, and the models proposed thus far for a national regulator seem to us to only perpetuate conflicts of interest within the regulatory framework. Allow me to explain.

I have in my hands the Advocis best practices manual. This living document borrows heavily from the work of the Financial Planners Standards Council and includes input from many advisers and companies across Canada. It is a comprehensive guide for financial advisers and represents the highest standards of professionalism. Although less mature, it can be compared to the same practice standards advocated for accountants and lawyers by their professional governing bodies.

I also have the Ontario Securities Commission proposal for a fair dealing model, which would have the OSC move assumed regulation of advice, not by promoting independent-mindedness but by charging self-interested companies with responsibility for regulatory oversight.

We believe that the regulation of financial advice should be free of any inherent conflicts of interest and based on a model not unlike that which is currently in place for other professions, particularly the legal, medical and accounting professions.

Responsibility for financial advice rests with the individual giving it. The relationship of the consumer to advice is a relationship between the consumer and the adviser. Ensuring that the adviser is positioned with a professional mindset is the consumer's best protection. Products, by their very nature, carry an inherent bias. Advice should be free from such bias and unquestionably neutral.

We propose that securities regulators continue to regulate the distribution of financial products and that financial advice be regulated by an independent professional body. Under our model, all individuals who hold themselves out to consumers as financial advisers would have to meet the same standards. In particular, they would be required to hold a professional designation, adhere to an established code of professional conduct, subscribe to practice standards, acquire meaningful continuing education credits, and maintain appropriate errors and omissions insurance coverage.

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In essence, the professional body would set and police guidelines respecting the ability of anyone to hold himself or herself out as a financial adviser. This would establish an accountability to the consumer, and one that does not exist today, directly between the advice and the recipient of that advice.

I'd like to back up for a moment to paint a picture for you of the environment in which financial advice is offered today.

The financial affairs of Canadians have become increasingly complex over the past 20 years. More and more Canadians are realizing that they must take responsibility for their own affairs. Many are self-employed, and those who are employees are finding that they are not able to rely upon their employers and on governments to provide for their future financial security. Taxation is more complicated, and many Canadians find it impossible to even file tax returns without professional assistance.

In this environment, a new body of financial advice has grown that is not focused on the sale of products. Typically, this advice involves the application of complementary strategies to best meet individual goals. These strategies can include cash flow management, tax minimization, retirement preparation and wealth management.

There are two fundamental types of advice available in the Canadian financial services industry today: (1) product advice; and (2) financial management advice, or what we refer to as independent-minded financial advice.

Advisers involved in the sale of a product provide product advice. Typically, the advice extends to the benefits and applications of the financial product in the client's circumstances, but ultimately results in some

form of product recommendations. Some product advisers only provide product advice, but many also provide financial management advice as a separate and distinct activity from product sales. Product advice can generally be categorized as: (1) insurance, which includes life and health, property and casualty insurance; or (2) investment, which includes securities and mutual funds.

Independent-minded financial advice may be provided by advisers licensed to sell financial products, or by advisers with no involvement in product advice. Which ever adviser provides the advice, this type of advice is not grounded in product sales. It can consider all aspects of an individual's financial affairs, commonly referred to as comprehensive financial planning, or it can focus on one or more elements of an individual's financial affairs.

The ability to provide this type of advice, and the foundation for consumer confidence in financial advisers, is the professionalism of the adviser. That professionalism should be identified by restricting the use of the term "financial adviser" to appropriately qualified and governed individuals.

As I noted above, there are two broad types of product advice and sales: insurance and investment. Each is regulated very differently today. For example, the regulation of advisers providing insurance advice and sales is results-focused. It regulates what must be done, but not how it must be done. It is grounded in the regulation of the adviser directly. It allows for advisers to be independent of product manufacturers and distributors. It provides for client protection through errors and omissions insurance and, most importantly, it has experienced acceptable levels of market abuse.

In contrast, the regulation of advisers providing investment advice and sales is transactions-focused and regulates not only what must be done, but how it must be done. It's grounded in the regulation of the adviser through a dealer. It provides for client protection through a complex regulatory framework, and yet it has still experienced significant levels of market abuse. This is not the foundation upon which to build a national regulatory structure in and of itself.

To succeed, the national regulatory structure must, in our opinion, advantage itself of the learnings within the current model for insurance advice, and introduce the proper positioning of independent-minded financial advice.

Currently, there is no direct regulation in place for non-product advice. The regulation of this type of advice has been attempted by existing product regulators, but with limited success. Their experience in the regulation of sales activities and products is not the type of experience required to govern financial management activities. These non-product activities require a form of governance that is more similar to other advisory professions like accounting and law than to sales and marketing activities.

As the objectives of regulation within the Securities Act are to (a) provide protection to investors and (b) foster fair and efficient capital markets and confi-

dence in capital markets, the Advocis approach to the regulation of financial advisers is a natural ally to national regulation. We are only concerned inasmuch as this important principle has been given secondary status in discussions to date when, in reference to the principles and objectives of regulation, it should be the primary focus. We submit that it is the interest in self-promotion of the current regulatory environment which is obscuring the opportunity that we have identified.

For me, it is very simple: The advisers I represent speak to 12 million consumers or more annually. Those advisers know that what consumers need is the trust in their professional advisers to give them sound advice and match them with appropriate products. To do so, advisers must be unfettered in their pursuit of professional independent-mindedness.

The Advocis approach builds on an existing framework, it is national in scope, it complements the establishment of a national regulatory system, it encourages the highest standards of proficiency and transparency and it furthers consumer protection.

Moreover, the Advocis approach rationalizes the fragmentation of competing interests currently in the marketplace and integrates the roles of all interested groups and organizations recognized to issue designations and accreditations to financial advisers.

The lives and needs of Canadians are changing rapidly as the population ages and historical employment and lifestyle patterns unravel. The traditional reliance on advisers for product information and advice is declining with the growth in availability of this information from abundantly available alternative sources such as the Internet. Coincident to this decline in the need for traditional advice is the increase in the need for non-product advice. Advisers are adapting to this changing role, while regulators continue to apply old definitions and regulatory strategies developed for sales and marketing activities to professionally based advisory work.

We urge this committee to consider our proposal and recommend that the government of Ontario recognize the professional and highly skilled nature of the independently minded financial adviser by: embedding in legislation the requirement of professional designations for financial advisers; recognizing the two distinct types of advice serving the marketplace today and understanding that effective governance will only result when the financial services market is identified and separated by the type of advice provided, and non-product advice is regulated in the same manner as other advisory professions.

Thank you for your time and your attention today. We would now be pleased to answer any questions you may have.

The Chair: Thank you for your presentation. We have about two minutes per party and we'll begin with the NDP.

Mr Prue: I didn't see anything in here about licensing. Would you want these people to be licensed?

Mr Howard: Yes, we expect them to be licensed. As product providers, they are still licensed under the current

regime. What we are arguing is the separation of this separate body of advice and that it be separately regulated. We are not talking about a revisiting of the current regulatory system. We are talking about an additional governance system for a separate type of advice.

Mr Prue: I understand that, but licensing comes solely under the jurisdiction of provinces. I'm wondering how you would do a national licence. That's a bit of the problem I have with your proposal, at least until you explain it to me.

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Mr Howard: I'm not here to comment on the best model for national regulation. I am here to say that that element of the separate advice has been overlooked and should not be swept into whatever that model may be.

Mr Prue: Again, whatever the model is, you're being very specific in terms of having the people licensed and then recognizing their advice as a professional product. If we are to proceed to a national system, I don't know how that's going to work, with the province having the licensing authorities. Everyone would have a different licensing authority. In my view, it would compound the difficulty of getting the national government to have one system in the first place. Certainly I think the claws would come out from most of the provinces if you got into the licensing aspect. I just wondered if you could comment on that.

Mr Howard: I respectfully differ from your interpretation. It does not compound. What it does is it clarifies for the consumer—which is the important end concern here—what they're receiving, who they're receiving it from and what qualifications that individual has to provide that advice. So it is actually a clarification for the consumer that results at the end of the day. We absolutely support that the national regulatory system be rationalized and improved, but we do not support that this independent-minded financial advice be swept in under whatever that product advice regulatory structure may look like.

The Chair: We'll go to the government.

Mrs Linda Jeffrey (Brampton Centre): Thank you, Mr Howard. I appreciate the depth of the information you gave us today, but our role is to look at this book and its recommendations. Based on what your recommendations were, I was unclear as to your position. We are being asked to look at the regulation of the market participants, and the recommendation I believe that would most likely be closest to what you spoke about today speaks about the act continuing "to distinguish between the requirement to be registered to advise concerning securities and the requirement to be registered to trade in securities (or, as we proposed in our earlier recommendation, to be in the business of trading securities). However, we recommend that the commission and CSA carefully review the proficiency, experience and suitability requirements applicable to dealers and employees."

Is that something you would support? Is there anything in the recommendation that you feel wasn't sufficient, based on your experience?

Mr Howard: Our fundamental concern is that there's something not in the recommendations. In particular, that is that there are two types of advice. In the interest of the protection of the consumer, we urge you to recognize that fact and to distinguish between them.

The Chair: We'll move to the official opposition.

Mr O'Toole: Thank you very much for your presentation and an interesting perspective. I just read with interest where you say here, "Products, by their very nature, inherently carry a bias." Ultimately, that's probably the issue. Technically, it's a push or a pull system.

Mr Prue asked some questions that were interesting. I know there's an ongoing concern about the accreditation or designations for the CAFP and these certified financial whatever. There are a lot of different designations out there that aren't accredited today. People put these little sticks behind their name, and all of a sudden they're an expert in everything. But in many cases they actually can't manage their own affairs. So that is an important standard—an acid test, if you will.

You say your key recommendation here is this national regulatory issue—the independent-minded, as you categorize it. It's just another fee-for-service issue from the client's perspective. All of us need some advice, whether it's insurance, wealth management, estate planning—all of the various products that are out there for people. And I totally agree with the sentiment of your presentation. Is that available today? I find people who are licensed are almost like tied sellers. If they're licensed to sell various mutual funds and things like that and they're a financial adviser, they have to be two businesses. I'm told that today they have to act almost in two different parts of their house if they're operating from home and have two different businesses, to be able to do that. Is that right?

Mr Howard: You've asked me a very complex question. In fact, you've asked me a number of questions. I'll take it back to two points of reference.

As you started out, I think what is missing today is the confidence of the consumer that the advice they're receiving is independent-minded. I think we are here today to address some of these issues and to reconcile them within the country. The fact is, to put it in simple terms, we don't believe that the solution lies entirely within the box. In fact, if the consumer is going to receive the confidence that their advice is independent and truly valuable to them, then it must demonstrate itself as being independent from the outset. If you build it upon the current regulatory system, you miss that opportunity.

There is a need, of course, to reconcile all the designations and so on. We have a plan for that but I don't have time today to go into that.

The Chair: Thank you very much for your presentation.

ERNEST WOTTON

The Chair: I would call on Ernest Wotton to come forward, please. Good afternoon. You have 10 minutes for your presentation. You may allow time within that 10

minutes for questions, if you wish. I would ask you to state your name for our recording Hansard.

Mr Ernest Wotton: Thank you, Mr Chairman. My name is Ernest Wotton. I know nothing about finance. I am by trade a lighting designer. I'm a fellow of four professional organizations. I have practised in Canada, in the United States and in the UK. I have taught my trade at leading schools of architecture across North America. I am 83.

In July 1999, I wrote to the Honourable Dalton McGuinty, then the Leader of the Opposition, saying:

"Not so long ago when you retired you received your '50 year' pin and a pension. Today you receive neither. Nobody expects to spend a working life with the same employer. Instead, one changes frequently.

"These frequent changes mean that you have to make your own arrangement for a pension. If, like most people, you know little about financial matters, you put the money you have set aside for a pension in the hands of a financial adviser.

"Suppose that your financial adviser does not invest in line with your instruction and you lose money. You may spend months in fruitless discussion with the adviser in an effort to obtain reimbursement."

My letter to Mr McGuinty, written over five years ago, did not end there. I will return to it in a moment. It begins when, in February 1995, my wife and I took a bundle of very solid securities and cash to a financial adviser employed by a leading investment firm. We asked him to manage an account for us.

As I said, I know nothing about managing money, but I can read a graph. The mid-1990s were a boom time for investment, yet a downward slope appeared in the graph of our portfolio. Every monthly statement from the investment firm directed its clients to make contact with their financial adviser if they had any questions. Accordingly, I wrote to our financial adviser and said that the downward trend in the value of our portfolio was a cause for concern. He stated that our portfolio was healthy. He also confirmed specifically that a particular security I named was healthy.

Then three things happened. Our adviser left the firm, the particular security became junk and the investment firm wrote that as we had written to our financial adviser, in line, you will have noticed, with the instructions on the monthly account, it "had no responsibility for" our financial adviser's statement "that the portfolio was healthy."

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I will not even try to outline my effort to obtain compensation. My correspondence occupies two binders, each three and a half inches thick. Some of the replies from the investment firm were marked "sub judice." I got no reply when I asked what this implied.

I drew to the attention of the president that his firm's newsletter referred to "the superb returns enjoyed over the past few years," and asked why I had not taken part in that bounty. The president wrote, "We remain committed to serving you with the best possible advice [and to] building strong relationships with our clients," but he omitted to send a cheque.

Meanwhile, I scouted for other ways to obtain restitution. I mentioned my letter to Mr McGuinty. He referred me to the Ontario Securities Commission, as did the Ministry of Finance. The OSC referred me to the Investment Dealers Association. From the time I wrote to the OSC, in line with the advice from Queen's Park, until the IDA hearing into what it referred to as "the matter," three years and seven months had passed. I learned that a number of other investors had also complained against our financial adviser. I was surprised, therefore, when IDA concluded that he had been correctly supervised.

At this point in my story my wife and I had been unable to get compensation for the enormous loss in our investment, and we were unable to take part in the arbitration process set up by IDA since our complaint fell outside its terms of reference. But the Ontario Ombudsman told me of the Ombudsman for Banking Services and Investments. Richard Bright of OBSI interviewed me and my wife and subsequently submitted his report to an arbitrator. We were awarded about 60% of our loss. Mr Bright's report identified a number of examples of investments obviously made without due diligence, yet they had eluded the investment firm.

May I summarize my conclusions arising from this sad recital of facts:

(1) An investment firm will not conduct a rigorous investigation into a complaint against its staff.

(2) An investment firm will use its enormous clout, including the use of legal terms in everyday correspondence, to wear down an investor, particularly the vulnerable.

(3) The provincial government has delegated to OSC its authority to protect investors from unfair or improper practices without ensuring that this authority is being exercised.

(4) OSC has delegated to IDA its authority to investigate complaints against financial advisers without ensuring that those investigations are swiftly and competently carried out.

(5) Neither OSC nor IDA has assumed the responsibility for ensuring that investors are compensated for their losses from investments carried out without due diligence. Instead, both OSC and IDA recommend that the investor take legal advice. OSC has stated that the average fee for legal advice is \$37,500. This is far beyond anything many investors, particularly elderly investors, can afford.

(6) The March 21, 2003, review of the Securities Act of Ontario does not address the above issues.

(7) No investor, particularly the vulnerable, should have to go through the trouble and worry I had to go through, and that extended over eight years, in order to obtain relief.

In April 2002, the OSC mounted an investor education conference. About 100 delegates took part, representing 40 user groups. They broke into spontaneous applause only once: when a journalist member of a discussion panel stated, "The system is very wrong when one has to go to court for restitution. There must be another way.

Companies must hold their employees accountable. Clients come first."

I was there. I noted this remark. I ask, Mr Chair, that you give it your urgent consideration. Thank you for your time.

The Chair: Thank you for your submission today. Regrettably, there is no time left for questions.

CANADIAN DEPOSITORY FOR SECURITIES

The Chair: I would ask the Canadian Depository for Securities to come forward, please. Good afternoon. You have 20 minutes for your presentation. You may allow time for questioning, if you so desire, within that 20 minutes. I would ask you to identify yourself for the purposes of Hansard.

Ms Barbara Amsden: Good afternoon. My name is Barbara Amsden and I'm the assistant vice-president at the Canadian Depository for Securities, or CDS. You have our letter and submission and a bit about CDS, which we like to consider one of Canada's best-kept secrets. We're the not-for-profit company standing between you and me as investors, making sure that wherever you are in the world and whoever your broker is in Canada, when I buy your shares, you get my money and I get your securities.

Our presentation will only cover highlights of our submission to you. Our focus is on recommendation 5 of the five-year review committee final report, the Uniform Securities Transfer Act, or USTA, and related legislative changes.

The USTA is distinct from the Securities Act. I think somebody yesterday mentioned that the reams of paper you're dealing with are enough to choke a horse. We hope to give you a small mouthful that you can digest. Not wishing to trivialize the other issues covered by the report, we can't emphasize enough the clear and present need for and the benefits that will arise from the USTA. We believe that the USTA can and should be separated from some of the thornier issues that you're going to be dealing with and that the USTA should be recommended by this committee for enactment on a priority basis, ideally by no later than the end of this year. We believe that this would be a signal achievement of this committee, one you could be proud of.

CDS's president and CEO, Al Cooper, extends his apologies for not being here today—he has to be in New York—and our general counsel, who waxes lyrical about this issue, has dared to go on vacation.

I am not a lawyer. I'm here to speak to you in business rather than legal terms. If you have technical legal issues, I'll follow up on them in writing after this presentation. While the legal matters and legal wording may seem complex, the business issues and the investor issues are not.

The best comparison I can come up with is the rotary phone. A few years ago, my mother asked my nephew, her seven-year-old grandson, to call his parents on her

rotary phone. He went to the phone and carefully started pushing the numbers through the finger holes that I used to dial without a second thought.

In some ways, I see the USTA as moving from rotary to Touch-Tone cell phones. It's not that the rotary phone doesn't work; it's that it's slow and there are risks in not moving on. Try getting through the maze of voicemail with a rotary phone in an emergency. You hang on the line, and even then, it's now only in rare cases that you'll get a live voice.

Our securities system is the same. It's not exactly that it doesn't work; it's that the risks in this particular area can be very high and are too high for us to accept any more.

The fact that you have such agreement on the USTA among lawyers, securities regulators and securities firms tells us something. With apologies to the legal profession present here, if you ask seven lawyers for an opinion, you'll ordinarily get 14 answers at least, and each will come with scores of caveats. Where I think you all recognize that agreement will be difficult to achieve with your colleagues not sitting on this committee is on the need to find a place for the USTA on the legislative agenda this year.

Some will consider the USTA legal mumbo-jumbo. Most will consider it mind-numbingly boring. Most will, in fact, believe that it ranks nowhere near as high as health care, education, the environment, consumer protection, taxes and others on the list of your priorities. But it does, both for Canada and certainly for us here in Ontario.

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Here in Ontario, a material percentage of the working population derives their jobs, their income and the taxes they pay into provincial coffers for things like health care and education from the financial services industry, directly or indirectly, from the many companies, small and large, that support that industry. These same individuals and companies also need the most efficient and safe capital markets possible in which to invest their savings and borrow to finance a variety of needs.

Canada's capital markets are part of our national competitive advantage. A huge part of this is our reputation for being economically stable, technologically sophisticated and reliable. With advances in technology, we are in a borderless world, not just within Canada, which I know is one of the issues you'll be discussing with other presenters, but also between Canada and the US and even globally. The Securities and Exchange Commission, in its recently published 2004-2009 Strategic Plan, notes that the "mix of technology, innovation" and worldwide competition "has helped to reduce costs borne by investors.... If trading costs had remained at their 1980 level, investors would have paid more than six times as much in transaction costs in 2003."

But for all the rewards that technology brings, it has brought some new challenges. Technology allows rumour and innuendo to travel like wildfire around the globe. A reputation built up over decades, and even cen-

turies, can be damaged in seconds and can take years to restore. We don't want there to come a time when someone questions whether the Canadian capital markets are rock-solid because today, "If it don't seem broke, why fix it?" and because something looks "too technical."

We therefore need the USTA to provide a sound legal foundation for existing securities holding, transfer and pledging practices, particularly regarding the indirect system. That's the one we're most familiar with, where we never see our securities, everything is electronic and we just deal with our broker. The key principles regarding the USTA initiatives are the critical need for improved legal clarity and certainty; word-for-word consistency in the USTA and related amendments enacted in each relevant Canadian jurisdiction; greater harmonization with best practices globally; and implementation now.

While the USTA will contribute to fairness and transparency for investors and securities market integrity and efficiency, the USTA is not securities regulatory law, which regulates how securities are issued and traded and responds to inadequacies or abuses in securities markets, which are the issues of greatest concern to you. The USTA deals only with the transfer of property that occurs in the settlement of the trade, which is the exchange of securities for cash. And investors' only real interest is certainty; they want to be sure they get their money or their securities.

Implementing the USTA is a key part of broader efforts aimed at ensuring that Canadian capital markets do not fall further behind major industrialized securities marketplaces and remain as safe and strong as any in the world, and perhaps stronger than most. Current Canadian securities transfer rules are generally based on old versions of the uniform commercial code located in provincial business corporation statutes. Except in very limited circumstances, these rules were designed only for the direct holding system, where investors held their securities in certificated form.

The book entry settlement system is much more efficient than settlement by delivery of certificates and has enabled huge growth in securities trades. It would be virtually impossible to entertain a return to the physical environment in place when CDS was founded in 1970. Since then, shares traded have increased 106 times. Our securities legislation has not kept pace with the speed of technological change or with legislative change in other markets like the US.

While I have worked full-time for 25 years, I have never seen a certificate for any of the securities I have owned, other than a Canada savings bond. People not born 25 years ago probably have never seen a CSB certificate. They would be surprised to think there was any question at all regarding the certainty of settlement of their holdings, their ability to use electronic holdings as collateral for a loan or to have their broker lend securities on their behalf to earn a slightly higher return. We believe it is up to you and your counterparts in other

provinces and territories, and at the federal level, to make sure that the trust of these investors is not misplaced by ensuring that the protections are firmly entrenched in appropriate legislation. You can make sure that our marketplace remains competitive by bringing clarity regarding these protections. This is particularly important as global securities marketplaces increasingly have transactions involving multiple jurisdictions.

This is reflected in a number of reports that were referred to yesterday, including the G-30 or Group of Thirty report, the global efforts of CPSS-IOSCO—I won't give you the full words—the Canadian government's involvement in the PRIMA convention in The Hague, and Canada's participation in UNIDROIT, which was established under the League of Nations in 1926 to modernize and harmonize law between countries.

Our settlement is so invisible to millions of Canadians that many have never heard of CDS. Yet they place their faith in us to effect the transfer of their securities and payments, and the importance of uniformity in the implementation of the USTA therefore cannot be stressed enough.

CDS has recently sought legal opinions across Canada relating to the validity and enforceability of the security interests granted by our participants. Although we drafted our rules as being governed by the laws of Ontario, our participants, their clients and their issuers are located in all provinces and territories. While we take the position that Ontario laws apply uniformly to all transactions in our domestic systems, the result is not absolutely certain.

The opinion-seeking exercise was frustrating because of the subtle and technical differences between current legislation. The opinions were long and duplicative, not to say costly, dealing with many exceptions. By contrast, obtaining an opinion from New York legal counsel was straightforward.

In summary, there are three key parameters for effective enactment of the USTA. First, there's need for legal clarity and certainty. Not all federal and provincial laws reflect current commercial reality, and the laws of various provinces differ. The USTA will clearly establish the rights and duties of each player in the tiered holding system.

When current securities holding and transfer provisions were drafted, the situs of a security determined the applicable jurisdiction for the law governing the transfer or pledge of the security. Application of this in a world of bits and bytes representing uncertificated securities transferred electronically is much less clear. The USTA and conforming legislation will eliminate uncertainty and potential conflict.

We note as well that a major law firm in Canada has submitted that it has researched and debated with other major law firms legal issues associated with particularly securities transactions where legal uncertainty ultimately caused them to choose less than optimal forms of securities, move the location of the transaction to, for example, New York, or abandon it altogether. The USTA will reduce risk and cost, increasing the attractiveness of the Canadian jurisdiction.

The second parameter that I'll talk about is the need for absolute consistency in wording. As you can appreciate, subtle differences in wording can have significant impacts on the outcomes of legal rights and obligations. In this area, absolute conformity is critical. Wording variations will reintroduce risk and cost unnecessarily, and we're aware of no policy reasons why investors in one part of the country should be treated any differently or would want to be treated any differently from those in another part of the country.

Third, there's a need for harmonization of practice with the US and globally. One of the major benefits of the USTA and related changes is broad conformity with the US. This is clearly in line with commitments to UNIDROIT and the PRIMA convention, and by regulators to CPSS-IOSCO at the G-30.

You may still be asking yourself, "But why now? Why the rush?" Global market participants are increasingly aware of, and sensitive to, legal risk regarding attributes of national settlement systems, with the recent focus of these groups I've mentioned. We must reduce this risk by providing certainty.

We also believe there is extensive backing for the USTA by securities commissions, the Uniform Law Conference and many individuals and organizations. We are not aware of any opposition to the USTA and therefore do not consider it controversial.

Also, in view of the lengthy review and consultation that is already taking place on the USTA—without wanting to pre-empt your or the Ontario Legislative Assembly's responsibility to review legislation—we hope that you and your provincial and territorial counterparts will see no need for further changes. It's time to move to action.

In conclusion, the USTA and conforming amendments, similar to US provisions, are needed now. If the US could get agreement between 50 jurisdictions, we're sure that Canada's 13 jurisdictions can agree on this.

We're encouraging all relevant Canadian jurisdictions to move expeditiously to enact the USTA and related amendments word-for-word in their jurisdiction. The five-year review committee said in its report, "The need to update the legislation in Canada is clear and compelling. Canadian legislation in this area is currently out of step with legislation in the US and certain other countries. The legal foundation for the holding, transfer and pledging of securities is of fundamental importance to the clearing and settlement process, and to efficient and safe capital markets."

CDS agrees fully with these statements. And just because there are no widely known problems in our system doesn't mean they aren't there or that they can wait to be addressed.

We believe the USTA is a discrete issue that can be resolved easily and should not be delayed by debate of contentious items relating to provincial securities acts and regulations that will require more in-depth analysis and consideration. In the strongest possible terms, we request you to encourage your colleagues in the Legis-

lative Assembly to take the required measures on a priority basis, ideally by year-end 2004. This will lead the way for other provinces in keeping with Ontario's lead role in the securities industry.

Tell your colleagues that it's about time to move from the rotary phone to Touch-Tone cellphones and that, no, this can't wait, we can't stay on the line for the next available attendant. The USTA can't stay in line for a slow day on the legislative agenda. From what I can see, you will have no slow days in the next little while. The MPPs themselves should have an interest in this issue on behalf of their constituents as investors and as investors themselves.

I'd be pleased to answer any questions you may have.

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The Chair: Thank you for your presentation. We only have time for one question of about three minutes, a little bit more. In the rotation, this one question will go to the government.

Mr Berardinetti: Just very quickly. I want to thank you for your presentation. Just to understand, you support the concept of a single securities regulator, but you're saying that if we're going to do that, then the transfer legislation has to be uniform across Canada.

Ms Amsden: Actually, the two are distinct. I was told by the president that what CDS is is plumbing. I'm a plumber and I don't have any other opinions. What the USTA is and what has been developed is that there would be a word-for-word, identical USTA enacted in each province and territory across the country. So this can go ahead regardless of whether there is a national regulator, a federal regulator or a continuation with the current regulatory system. In fact, the individual regulators all support the USTA. That's one thing they did agree on.

Mr Berardinetti: I'll stop my questions there. I don't know if there's time for the opposition to ask any questions.

The Chair: Are there other questions? Thank you very much for your presentation.

Mr O'Toole: Chair, as a point of interest, that was recommended in Purdy Crawford's—it is fairly technical and it does take provincial legislation. I personally don't see a problem with it. It's administrative in nature, but you're going to have to drive it, because it's legislative time.

CIVIL LIABILITY COALITION

The Chair: The next presenter is the Civil Liability Coalition. Please come forward. Good afternoon. You have 20 minutes for your presentation.

Mr Robert Yalden: Thank you, Mr Chair. We've distributed paper copies of slides. If anybody would like to see them up electronically, we'd be happy to do that, but, in the interests of time, we're quite happy to move along and work with the paper versions.

Again, thank you, Mr Chair and members of the committee, for taking the time to meet with us today. I'm

Robert Yalden, a partner in the law firm of Osler, Hoskin and Harcourt. We are Canadian counsel to the Civil Liability Coalition. With me on my right is my colleague François Janson.

I'm joined today on my left by Mr Ricciuto, who is assistant general counsel with BCE Inc. BCE Inc is a member of the coalition. It is, as you no doubt know, the largest telecommunications company in Canada. Mr Ricciuto is responsible for, among other matters, compliance with securities laws at BCE.

To Mr Ricciuto's left is Mr Epstein. Mr Epstein is a senior partner with the New York law firm of Shearman and Sterling. It's one of the leading Wall Street firms. Mr Epstein is a former federal prosecutor who, in the course of his distinguished career, has prosecuted violations of securities laws on behalf of the US government. He is now one of the US's leading class action securities litigators.

We've prepared written submissions for the committee, which I believe we've tabled with the clerk and will be distributed to you, if they haven't been already. We're going to do our best to limit our comments to less than 15 minutes in order to leave you with time for questions.

Let me start, then, with the first slide by explaining what the Civil Liability Coalition is. It's a group of Canadian companies. They include Alcan, BCE, Bell, EnCana Corp and Power Corp of Canada. These are companies, as you may know, that are listed on the Toronto Stock Exchange. They operate across Canada in a variety of economic sectors and play a key role in both this province's and the nation's economy. They are also very active participants in the United States' capital markets, an important point we want to come back to. They are therefore subject to regulation by the United States Securities and Exchange Commission.

The coalition supports the five-year review committee's report, in particular its conclusion that it's important that there be harmonization with respect to continuous disclosure requirements across Canada, and we support the report's call for civil liability for deficient corporate disclosure. We agree that this has a role to play in Ontario and other provinces in Canada. It's important that we be very clear about that up front.

However, the coalition does have some very serious concerns about certain aspects of the civil liability provisions that are contained in Bill 198, which was passed, as you know, by the Legislature, but has yet to be proclaimed.

Turning to the next slide, let me spend a second just reminding you what continuous disclosure is. There's actually a very good summary in the five-year review committee report. I understand that Mr Crawford, when he appeared before you this morning, walked through a description of it once again. Just to remind you, it's a process whereby companies release ongoing information into the market so that investors are always up to date on significant developments affecting that company.

The question is, what happens if that information is deficient? Historically, judge-made law, or what we

lawyers call common law, has not provided a strong foundation for claims against companies whose disclosure was deficient. Plaintiffs have had trouble proving that they actually relied on deficient disclosure when buying or selling. What Bill 198 is trying to do is remedy this by introducing a statutory remedy that removes the obligation to prove reliance.

But Bill 198 then goes on to reverse the onus of proof by requiring a defendant, the company, to prove that it took all necessary steps to ensure that its disclosure was not deficient and that the disclosure was not what caused the plaintiff's loss. Alcan, BCE, EnCana and Power are firmly of the view that these additional measures, the ones that reverse the onus of proof, go further than is necessary and will simply result in the promotion of unwarranted class action litigation.

I'd now ask Mr Ricciuto to provide you with more details on the coalition's position.

Mr Ildo Ricciuto: Thanks. Turning to slide 4, we now focus on the coalition's position. First, there's no question that the coalition believes that issuers must maintain the highest standards of disclosure in both their prospectuses and continuous disclosure, such as financial statements and annual reports. Second, I must emphasize that the coalition supports the concept of civil liability for misrepresentations and continuous disclosure. However, the coalition is very concerned with those aspects of Bill 198 that would result in Ontario having a regime that is not harmonized with the regime from the US.

Bill 41, which was introduced in May 2003 but not passed, was an attempt to bring some aspects of Bill 198 into line with practice in the US, but did not deal with the most serious issues of Bill 198.

Turning to slide 5, we must emphasize that one of the key premises underlying Bill 198 is really outdated. The source of Bill 198 is the 1997 Allen report, which recommended the introduction of statutory civil liability in Canada. However, one of the basic premises of the Allen report was that the plaintiffs' bar needed to be given exceptional tools to sue companies because securities regulators, in particular the OSC, did not have at that time sufficient resources to ensure compliance with continuous disclosure obligations.

Clearly, this premise is outdated. The OSC is now well-funded and, as the chair of the OSC mentioned yesterday, the OSC has administrative and criminal enforcement tools which can be and are being used to improve disclosure.

While the regime of secondary market civil liability also has a role to play in enhancing the quality of disclosure, there's no longer a case for the exceptional private right of action proposed in the Allen report and found in Bill 198, which unfairly reverses the onus of proof on defendants.

I will now ask our US counsel to deal with the US aspects of our submission on slides 6 and 7.

1400

Mr Jeremy Epstein: I want to thank the committee for hearing me. I've been asked to speak a little bit about

the experience of US litigation with private securities litigation because we've had long experience with this. My understanding is that Bill 198 is intended to harmonize the Canadian regime of securities regulation with what exists in the United States and to afford Canadian investors with the same rights and remedies available to US investors. Unfortunately, it does not do that. As I read Bill 198, it affords Canadian investors much greater rights and remedies than what are available in the United States and it concurrently affords Canadian companies far less protection than what is available in the United States.

My remarks are going to cover pages 6 and 7, but I think it might be most instructive if the committee turns its attention to page 10, which is a chart that compares the proposed securities regulation regime under Bill 198 with what exists in the United States.

The simplest way I can address the differences is by pointing out that there are two salient distinctions between the elements required to prove a securities claim in the United States and what would be required under Bill 198. To prove a securities claim in the United States in private litigation, one must prove what's called *scienter*, which in lay terms means an intent to deceive or guilty knowledge that the statement one is making is false. One must also prove something called *loss causation*, which is to say that there is a clear connection between the alleged disclosure violation and any loss caused to the shareholders. Having laid out those two distinctions—both of those protections exist in the United States; they will not exist, as I understand it, under Bill 198—let me try to explain what this means in practical terms.

Over the last 40 years, the United States has seen a flood of private securities litigation, mostly in the form of securities class actions. There are several important safeguards built into the securities laws, however, that act as a deterrent to frivolous lawsuits, and one of the most important of those safeguards is the *scienter* requirement. What happens in the United States is that any adverse corporate event, be it a drop in sales, a drop in revenues, some industrial disaster that impedes production, is followed as day follows night by a securities class action. As long as there's a drop in the stock price, a plaintiff's lawyer will bring an action alleging not just that the stock price has dropped but that there has been fraud in prior public statements. The reasoning usually is, if something bad has happened to the company, the managers of the company must have known it or must have been able to see it coming and by not disclosing these dangers to the investing public they have committed fraud.

When these cases are filed, the first step that is typically taken by a defendant is to file what's called a motion to dismiss, which is a motion—and I'm told there are comparable procedures under Canadian law—that asks the court to dismiss the action at the threshold, before the company endures the cost of discovery and depositions and everything else that's attendant upon US litigation. A significant number of those motions to

dismiss succeed. In our longer, written submission, we estimate that 19% of all securities class actions are dismissed at the threshold. One of the principal reasons they are dismissed is because many of these cases cannot satisfy what's called the scienter requirement. The plaintiffs may be able to demonstrate the statement was made, and subsequent events perhaps have demonstrated the statement to be false, but that's a long way from pleading or proving that there was knowing falsity in the statement. That is a significant protection to American corporations, and it also provides a very effective way of weeding out frivolous actions at the threshold, before the significant expense of a securities class action is incurred.

I cannot estimate what the regime would be in the United States without the protection of a scienter requirement, but I can certainly venture an educated guess that, rather than 19% of securities actions being dismissed at the threshold, you wouldn't get more than 1% or 2% dismissed. That means that virtually every lawsuit filed that alleged fraud would go all the way through discovery and put a corporation through not months but years of document production depositions and would bring every single securities lawsuit to the brink of a trial or a settlement. This is a very expensive undertaking for any US corporation.

Very often, these cases turn out to be baseless. There's a well-developed body of law in the United States that says you cannot prove fraud through hindsight. In other words, if a company says in its public disclosures, "We've taken every safety precaution in our plans," and there's subsequently an explosion in an oil rig somewhere and production is stopped and the company's sales drop as a result, that does not make the statement in a public disclosure false. Nevertheless, those kinds of statements are routinely the source of lawsuits brought in the United States. Most of those lawsuits tend to be cut off at the very outset because of the scienter requirement, which is a valuable protection.

Similarly, the requirement of loss causation is also a valuable protection because it requires that there be some causal connection between the false statement and the drop in the stock price. Otherwise, a stock can drop for a whole variety of reasons, including overall economic conditions, but without the protection of a loss causation requirement, it would be presumptively proven that a drop in the stock price was due to the false statement. That, again, is a significant protection that seems to be lacking under Bill 198.

I'd like to close simply with the observation that the trend in the United States is very much away from private enforcement of the securities laws and toward more vigorous public enforcement of the securities laws. There was a piece of legislation enacted in the mid-1990s called the Private Securities Litigation Reform Act, which materially toughened the standards applicable to bringing private actions. At the same time, we've seen legislative developments like Sarbanes-Oxley and increasing use by the SEC of both civil and criminal lawsuits to coerce enforcement. It is my view, as someone

who has practised in this area for a long time, that the threat of government enforcement is a far more significant deterrent to corporate wrongdoing than the prospect of private litigation.

Mr Ricciuto: Turning to slide 8, we deal with the reasons why the lack of harmonization of Bill 198 with the US is a significant problem.

First, it should be noted that Bill 198 represents a very important and unnecessary departure from law as it exists in the US for almost 40 years. Canadian issuers, like BCE, also listed in the US on the New York Stock Exchange are already subject to the US secondary market civil liability. So unless Bill 198 is harmonized with the US regime, it will put Canadian issuers at a competitive disadvantage by requiring they also deal with a distinct and even more plaintiff-friendly regime that will promote unwarranted class actions with all the waste of corporate funds and management time that they will entail. We believe this will push companies to settle claims having little or no merit.

Adopting a more plaintiff-friendly regime would also be out of step with other recent and important policy choices in the US that, as US counsel has just mentioned, have seen efforts to place limitations on its class action regime and to rely instead on enhanced SEC enforcement.

The coalition greatly appreciates and recognizes the efforts made by Canadian regulators to harmonize new Canadian corporate governance and disclosure requirements with the US Sarbanes-Oxley Act. However, it is critical, from a competitive point of view, for both Canadian companies and financial markets, that the same approach be taken when dealing with civil liability in Canada.

I'll turn it over to Robert Yalden.

Mr Yalden: In summary, the coalition thinks it's extremely important not to lose sight of the role that Chairman Brown described yesterday: the role that securities regulators and prosecutors can play and are playing in dealing with deficient disclosure. We think emphasis should be placed on those tools.

We agree with Mr Brown and Mr Crawford that it's time to get on with civil liability. We agree it has a role to play in Canada, that there are problems with Bill 198. Some of those problems would have been addressed through Bill 41. We've identified other problems in our written submissions that result from a lack of harmonization with the US regime and, in our view, will need to be addressed at the same time that the issues identified in Bill 41 are addressed.

We therefore recommend the government adopt amendments to Bill 198 to bring it in line with the regime in place in the United States. We've prepared quite detailed amendments, which are contained in one of the appendices to our written submissions, and in particular we'd urge the government to look at those seriously and enact them.

Thank you very much. We'd be pleased to take questions if there's any remaining time.

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The Chair: Thank you. We have time for only one round of questions, about three minutes, and in this rotation it will go to the official opposition.

Mr O'Toole: Thank you very much. I appreciate, on a technical area where heavy-duty legal advice—obviously, Bill 198 was not proclaimed through the regulations. The bill passed but the regulations didn't, so they introduced Bill 41, as you probably know, and it was addressed this morning by the author, Purdy Crawford, as well. In his initial report he had agreed with the intent of Bill 198. It might have been poorly drafted. The regulations were bogged down in consultation. So I guess Bill 41 is the current government's attempt to modify Bill 198. That's my understanding.

Mr Yalden: With respect, Mr O'Toole, I think in fact it was the previous government that had tabled Bill 41.

Mr O'Toole: Did it come in in the last session?

Mr Yalden: Yes, and it died on the order paper.

Mr O'Toole: Was I correct in the assumption that it was an attempt to modify this liability?

Mr Yalden: Yes, you are correct. It was an attempt to deal with one area in which Bill 198 was out of step with the United States.

Mr O'Toole: Were they trying to get with the Sarbanes-Oxley sort of version of this corporate liability—

Mr Yalden: The issue was actually quite a technical one in Bill 41.

Mr O'Toole: It's hard for us to understand, because even if you read the legislation you have to be familiar with the Securities Act, which it is amending.

Mr Yalden: The submission actually deals with Bill 41 in part. Bill 41, as I say, was designed to deal with one more limited problem, in our view, which was what was in Bill 198, and that was a requirement that before issuing either in writing or orally what we call forward-looking statements—so predictions, if you will—various disclaimers had to be recited. The concern that was raised was the notion that the chief executive officer, before giving, say, a call to an investment analyst, would have to go through a long laundry list of these things instead of simply referring to a written list of these disclaimers. That's the practice in the United States. Bill 41 was designed to enable the Canadian practice to be consistent with the US practice. So it was very limited in its objectives.

Mr O'Toole: Mr Barrett has a question.

Mr Barrett: You described the US experience, and given the globalization of so much of those trades, is there anything we can learn from British law or other countries?

Mr Epstein: I didn't hear the entire question; I'm sorry.

Mr Barrett: You described the US experience. Is there anything we need to know concerning other countries, given the global nature of this business?

Mr Epstein: I cannot pretend to be an expert in the securities regulation of other countries. I do know that

there is increasing co-operation between the Securities and Exchange Commission and regulators in Europe because many securities offerings now are global. There's a piece done in the United States, but there are also pieces done in various other jurisdictions. More and more government enforcement is coordinated, as you are saying, certainly in the anti-trust area as well. I think there are coordinated efforts, but every regulator is limited by the remedies available to him in the particular country, and the remedies now in the United States are quite extensive. I do not know if they are as extensive in other regimes.

Mr Yalden: If I can just jump in there, Mr Barrett: Again, in our written submissions we point to the experience in Europe where currently people are looking at the question of the balance between civil liability and public instruments such as securities regulators and prosecutorial mechanisms. We think you'll find in those submissions that the trend in Europe is the same as in the United States, which is away from relying on civil liability class actions. It's toward beefing up the enforcement power of regulators and prosecutors.

The Chair: Thank you for your submission this afternoon.

LARRY ELFORD

The Chair: Now, for the committee, we have a teleconference with Mr Larry Elford. Good afternoon, Mr Elford. Are you on the line?

Mr Larry Elford: Yes, I am. Am I coming through clearly?

The Chair: Yes, the committee can hear you. You have 10 minutes for your submission. You may allow time for questions within those 10 minutes. I would just ask you to state your name for the purposes of Hansard. You may begin.

Mr Elford: Thank you very much. My name is Larry Elford. I'm going to get right to the point because I understand your time is limited.

I worked for about 20 years in the investment industry, dealing with the average clients on the street, retail investors. I rose to the top of my profession in educational and ethical awards and things like that. I managed approximately \$100 million or close to it. I'm now retired. So I feel able to speak on the industry from an inside point of view.

I had the luxury of being rather successful in my industry and I was able to spend the last five or 10 years questioning and probing for higher ethical standards, seeing things from the inside that I didn't particularly like and trying to improve them. I thought they gave the industry a black eye. My questions and attempts at improvement were not extremely welcomed, so I've come to the conclusion that the industry is largely out of step with those it promises to serve. It's interested at times in serving itself—or certainly some advisers are—at the expense of often trusting clients, often very vulnerable clients, uninformed clients for sure, and the majority of the time I find it's elderly clients.

If I were to stick my neck out, I would say it's a unique form of elder abuse that certain investment advisers are able to practise. They're able to identify that some elderly members of the Canadian investment community have the most money they've ever had to deal with in their entire lives and they are uniquely uninformed and in a position of trust. When I find that trust abused I'm really quite offended.

The title of my presentation is "The Industry is Serving Itself; Who is Serving the Canadian Investor?" I'm going to jump to page 11 of my submission. Just to make sure I don't run out of time, I'm going to give you my conclusions. There are four of them. Then I'll go through some examples or issues. The four conclusions to my presentation are:

(1) I believe that the Investment Dealers Association should be eliminated from any role whatsoever of a self-regulatory nature. They are an industry trade association and, as such, they are interested in the benefits and the protection of their members. They are, in my opinion, equivalent to allowing the foxes to watch the henhouse and they're not doing the job of protecting or compensating the public—to see the mandate of the IDA, written, is to protect investors—and based on my 20 years in the industry, I find that sad.

(2) Enact the Ontario Securities Commission fair dealing model, which I find to be a very well-thought-out, comprehensive set of proposals that would help clearly define the role between adviser and clients, leaving less room for ambiguity or wiggle room for unethical advisers or firms.

(3) I'd like to see a client advocate in this country. I'd go so far as to say, where is the investment clients' association? I see investment dealers' associations, I see the mutual fund dealers' associations; I see nothing in the form of a clients' association. It's people in the industry writing the rules for the industry, and I would like to see something at arm's length from the industry to protect clients.

(4) Last but not least I'd like to see, or I'd advise, a move toward a single regulator in Canada. Any claims to the contrary I think is self-interest, job preservation and is not in the public interest. I don't think we need 13 regulatory agencies in what I have heard is an economy the size of that of Texas.

On to the presentation: This industry was set up decades ago in, I imagine, private men's clubs on Bay Street, with people writing their own rules for the business way back when it was loosely forming.

I find the set-up is perfect for unethical members of the industry, of whom there are a few. They are very well rewarded for taking advantage of trusting clients. Punishment is slim to none. In fact, in some very good attempts at elder abuse or financial abuse of some clients, I see people being awarded vice-presidential designations and titles like that at some of the major investment firms.

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There is an entry requirement of a three-month correspondence course, the Canadian securities course, to enter this business, and investment people can be making

a quarter to a half million dollars in a number of years in the business. I find that the money is simply too great and the entrance requirements too low for many to even understand what the meaning of duty of care to clients is from a professional to a client.

I'm giving some examples in the form of short stories, submissions or articles which are in my table of contents at the front of my presentation. The first one, on page 2, is a discussion of, is the investment relationship that of buyer beware? The industry, in my two decades within it, promised a high duty of trust and care and integrity, and the advertising certainly promises that the client will come first. I found numerous cases where, when push comes to shove, major high-quality investment firms have said, "I'm sorry, but we do not owe you a duty of care." I find that saddening, to say the least, and shocking, to say the most. There is an article or a submission about that.

The second one, page 5, is a discussion of double-dipping. It shows how investment people can apply two or three commissions or earning streams from one single mutual fund purchase. This is done without disclosure to the client. There is nothing in writing that clients have potentially three forms of commission. They could dig up two of them if they're willing to read a 200- or 300-page prospectus, which not many do. I've had one client uncover this situation and bring it to question to their investment adviser and as far as the IDA. They were told in writing that because they received a discount on the third fee, they should be quite happy to have paid three different fees to their adviser, unknowingly. I find that unacceptable.

Page 7, on rules to protect clients: Since we in this industry write our own rules and interpret and judge our own rules, we're certainly able to ignore any ones we see fit or enforce those we'd like to. I've seen many rules that were intended to protect clients ignored and rules that are there to the benefit of the industry enforced. I find it very haphazard, arbitrary and self-serving, and there is an article or a submission about that.

The industry now has a self-reporting system, so claims of wrongdoing sometimes have to be reported to the very people who may be benefiting from the wrongdoing. This is unacceptable. If the complaint is serious and raised to a higher level, it can sometimes be passed along to an industry trade association, which is by the industry and for the industry, and in the end the client or the complaint gets not much satisfaction, in my experience.

I again want to know where the investment clients' association is. We have a system that is perfect from the standpoint of someone who wishes to get away with things. It is, in my opinion, useless for an employee or a client who wishes to speak out to improve the system or to complain.

I'll move along to page 8 of my submission, that advisers may actually be salespersons in advisers' clothing, and a discussion of how advisers are using the guise of advice to place clients in the highest compen-

sating investment choices to themselves, again without disclosure, without transparency.

Last in that table of contents, page 9 discusses a code of silence, which in the industry is written as well as unwritten at some of the major firms and gags employees from open and transparent discussion of any kind on any issue with risk of losing their job. Several times I've seen the industry code of silence take precedence over our industry code of ethics. I've seen it used to cover up mutual fund incentive trips. I've seen it used to cover up double-dipping and competitive investment pricing, in opposition to the Competition Act. It simply means that thou shalt not speak out or you will be labelled a non-team player and things will get kind of tough for you.

Our industry has a long way to go. The Investment Executive magazine from August 2004, this month's edition, says the problem is that there is not enough transparency and accountability among regulators; it's time legislators let in the sun. This is our own industry writing on how embarrassed we are at times with the state of self-dealing and self-interest.

That may be my time. I'm certainly prepared to answer questions. Thank you very much for spending your afternoon indoors listening to this kind of thing.

The Chair: Sir, you've landed right on the 10-minute mark. There is no time for questions, but the committee thanks you for your presentation.

Mr Elford: Thank you very much.

The Chair: The committee should know that the 2:20 presentation has cancelled.

ONTARIO BAR ASSOCIATION

The Chair: I would ask the Ontario Bar Association to come forward. Good afternoon. You have 20 minutes for your presentation, and you may allow time for questions within that if you wish. I would ask you to identify yourself for the purpose of our recording Hansard.

Mr John Cameron: Mr Chair, honourable members of this committee, my name is John Cameron. I am a corporate lawyer practising at a Bay Street law firm. I'm here speaking on behalf of the Ontario Bar Association, my law firm and as a concerned citizen.

I'm speaking about only one issue, and that is the recommendation made on page 50 of the report, which urges all provincial governments in Canada to adopt a Uniform Securities Transfer Act. Canadian securities administrators published on their Web site in June of this year, subsequent to the preparation of the report, a draft Uniform Securities Transfer Act. The Ontario Bar Association and my firm strongly urge the Ontario government and each government in Canada to adopt that legislation in that form.

That legislation deals with several problems, the most important of which is that Canada's laws governing the transfer of securities are badly out of date. Our laws are based on the 19th-century concept that, to transfer shares, you deliver possession of a share certificate, and if you

want to borrow money on the security of shares, you give the lender a share certificate. That's a very simple process. A share certificate looks like this. If I want to borrow money on it, I take it and just sign my name on the back and give it to my lender in exchange for some money. The lender takes that share certificate and knows that it's got a better right to that share than anybody else in the world.

A long time ago, the laws worked beautifully to do that. You can still do that today, if you can get your hands on a share certificate. The problem is, the system is set up so that you can't get your hands on a share certificate. The system makes it difficult for you to actually get a share certificate. Instead, it all happens now by computer, by the push of a button.

While our systems for physically transferring shares have been modernized, our laws haven't. The problem this creates is one for lenders, and therefore it's one for borrowers. From the lenders' point of view, they don't want to lend money on the security of a share certificate unless they know they're going to rank ahead of everybody else in the world. The current laws don't give them that comfort. The borrowers care about it because either the lenders won't lend them the money on the security of that share certificate or they're charged more money for doing so. I've seen lots of deals where lenders just won't do the transaction because the laws are too unclear.

I've been practising law now for over 20 years. I've seen it in my practice year after year, and I've canvassed people in preparation for coming to speak to you today. I've got numerous examples where people have told me this.

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The solution to this problem is easy, and it's not politically costly: You adopt the Uniform Securities Transfer Act. This act makes sure that the lender has the same priority as if it had physical possession of the share certificate. This act also has rules to say whose laws apply where you have connections to different jurisdictions.

That's pretty common in today's world. If you have a borrower in Ontario and a lender in New York, the new act is going to make clear whose laws apply. It's the same thing if the borrower is in Alberta and the lender is in Ontario.

In short, this new act is going to let people deal with their banks and other lenders a lot more easily than they can under current laws. This is going to have two effects. First, it's going to reduce the legal fees on these kinds of transactions. The laws now are so unclear that you get lawyers from firms like mine sitting around jabbering all day long about what it all means. The longer lawyers talk—and today is an exception because nobody's paying for me to talk—you all know that costs money. At the end of the day, one of two things happens: Either the lawyers can't agree, or there's too much risk for the lender and the lender doesn't want to do the deal or the lender is going to charge more money. No matter how

you slice it, the borrowers are paying. The borrowers pay for the lawyers to sit there talking about it or they also pay because their lender charges a greater interest rate or more legal fees.

When you adopt this act—and I say “when” because it is surely just a matter of time. The United States fixed this problem 10 years ago in something called revised article 8 of the Uniform Commercial Code. The proposed Uniform Securities Transfer Act is based largely on that drafting. It therefore gets the benefit of the experience that the United States has had with these laws over the last 10 years.

So I say “when this kind of legislation is adopted,” because it needs to be adopted. There’s a problem that needs to be fixed, and it’s so easy to fix it.

When it’s adopted, please adopt it in a way so that it’s uniform across the country. In other words, adopt the version of the USTA that’s on the Web site of the Canadian Securities Administrators, because there are no policy choices to make here. This isn’t sexy stuff. It’s just a bunch of backroom law to govern stuff that’s really basic. There aren’t real choices to make with this, and the language should be the same across every province. It’s not controversial; this is motherhood and apple pie.

This is like fixing the potholes in our roads which cause people’s cars and trucks to break down and have to be fixed, or which cause people to choose different routes or to go to different cities because they don’t like the potholes in our roads. Unlike the potholes in our roads, this is a lot easier to fix. It doesn’t cost money to fix it. You just have to pass this set of laws, and it will go a long way toward fixing it.

There also need to be amendments to the Personal Property Security Act. The Canadian Securities Administrators know this. They’ve published those amendments too on their Web site. A committee of some of Canada’s leading experts in that area of the law have studied those amendments and commented on them. Their comments have been incorporated in a process that’s happened over the past couple of years.

So you can take a high level of comfort from two aspects of this: one, the laws are based on the US solution, which has worked there; two, some of Canada’s leading experts have looked at the changes that need to be made to the Personal Property Security Act.

In summary then, our laws are badly out of date. This is costing Canadian businesses money. The solution is easy—it doesn’t cost anything—and that is to adopt the USTA now.

The Chair: Thank you very much for your presentation. We have about four minutes per caucus left. We begin this rotation with the NDP and Mr Prue.

Mr Prue: Thank you for your presentation. It’s very narrow. It’s just on the USTA. That’s all. Does your firm or you or anyone else you’re speaking for have any aspect you want to discuss other than the USTA?

Mr Cameron: No. I’m commenting on what I know best. I’ve done this kind of law for over 20 years. This is a problem that just needs to be fixed. It’s so frustrating to

see bills going out to clients. I think it gives lawyers a bad name when they let stuff like this sit around, where the clients have to pay—it’s just that the laws are out of date; they just need to be updated. That’s why I’m here to speak about this issue today, because this is the one I know about.

Mr Prue: OK. There are some 75 recommendations before us. You’re confining it to just the one.

Mr Cameron: That’s right.

Mr Prue: I have no further questions.

The Chair: We’ll move to the government and Ms Matthews.

Ms Matthews: I must say that I appreciate the way you made your presentation so very clear and your arguments so concise and confined to something we’re reviewing. We’ve heard from several people the same persuasive arguments that we should move forward on this. Maybe it’s not fair to ask you this question, but other than simply time on the legislative agenda, are there any other reasons we should be cautious about this? Who will be unhappy if we proceed with this?

Mr Cameron: I don’t think there will be any stakeholders who are unhappy. I think those people who don’t understand the new law, who are trying to understand it, will want time to try to get familiar with it. But there’s been a lot written in the United States about how to interpret these new laws and how they work. So there’s a large body of commentary that people can look to.

I haven’t heard anybody object to the new act. I don’t think there’s any valid basis to object to it. I think it’s a new set of laws, and if there are people who say, “Let’s move slowly,” it will be people wanting to try to understand it.

This is a process that’s gone on for 10 years already. Eric Spink, who’s been mandated by the Canadian securities commissioners to work on this, has been working on this project for over 10 years, consulting with all kinds of experts both in Canada and in the United States, so there’s been a lot of thought that’s gone into it. I don’t think this has been on the radar screen of most people in Canada, for obvious reasons.

Ms Matthews: I can tell you, I have not had one constituent call me on this.

Mr Cameron: And I don’t think you ever will. That’s what’s frustrating about this issue and why I wanted to come today. I don’t think people are going to speak up and say, “Let’s do something about this,” but something needs to be done about it, because our laws are broken and can be fixed, and it will save people money.

The Chair: We’ll move to the official opposition and Mr Barrett.

Mr Barrett: You’re focusing strictly on this issue of transfer of property during trades, and I recognize how important that is, because we’re talking about billions of dollars of property moving back and forth.

About an hour ago, we had a presentation from the Canadian Depository for Securities. The Canadian Bar Association—would you have the identical position to their position?

Mr Cameron: I didn't hear what they said an hour ago, but I have met with representatives of CDS in weeks gone by. I've been following this issue over a period of months and a couple of years, and I'm generally familiar with their position. As I understand it, they are completely in favour of this legislation, and if that's what they told you an hour ago, then I agree with them.

Mr Barrett: This would impact solely on Ontario and provincial legislation, and not federal?

Mr Cameron: There's an interesting constitutional debate that has been going on a little bit. A couple of law professors have expressed different views about whether the federal government could or could not do it. It's clearly within the provincial government's jurisdiction. It's something I don't think the provinces would willingly give up to the feds, and so I think they should go ahead and do it. There is an argument to be made that the feds could do this by themselves.

The Chair: Mr O'Toole.

Mr O'Toole: The Wise Persons' Committee said they could do it, but you're right: There's a sense of revenue loss here provincially. They have to work out who gets the money: the fees, the licensing and all that. The money part of it is where the big issue is, and I don't think that's really been made clear to us as committee members. What is the revenue? That's a question for research that I'd like to get. What was the annualized revenue to the OSC or the organization that's delegated authority by the province? What's the revenue loss to the province, annualized?

Mr Cameron: The issue I'm addressing is the Uniform Securities Transfer Act, which does not raise any revenue. It's completely neutral. I don't know the answer in that other sphere.

The Chair: Thank you for your submission.

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DOUCET McBRIDE LLP

The Chair: Now we have Doucet McBride.

Good afternoon. I would ask you to state your name for the purposes of Hansard.

Mr John Hollander: Good afternoon, Mr Chairman. My name is John Hollander. I am a trial lawyer working with the law firm of Doucet McBride in Ottawa.

The purpose of my presentation is to address what I see to be a major failing in the regulatory scheme as it affects relations between the securities industry and the public, and to propose solutions to that problem.

The interface between capital markets and the private investor is the financial adviser. Financial advisers are not required to obtain much in the way of formal training, and nothing with respect to portfolio management. If the industry decides that poorly trained sales staff are to be allowed the freedom of advising private investors, then, in my view, the industry should pay the losses when the advice provided is not suitable for those investors. This should be a cost of doing business, by reason of their failure to invest in proper training and supervision. In

other words, it appears to me that loss prevention and compensation are alternative strategies and the industry has chosen compensation as opposed to loss prevention.

Unlike the royal medical colleges and my own law society, the IDA and the MFDA are not statutory authorities. Rather, they are industry groups that deal with their members. When a private investor contacts either the IDA or the MFDA to complain about losses arising from what they see to be unsuitable trading advice, the investors assume both impartiality and expertise on the part of the organization. Unfortunately, in my experience, both of these assumptions are unfounded and lead to the abandonment of otherwise valid claims.

To establish my own credentials and my apparent bias, let me introduce myself. I have worked for 26 years in the practice of civil litigation and currently practise with a mid-sized litigation boutique—it has 12 lawyers—in Ottawa. I represent several clients with claims against investment and mutual fund dealers for allegedly unsuitable portfolio advice. I maintain a Web site devoted to this area of my practice, which is called Stockloss.ca, and I've been the subject of several articles in various national and Ottawa press. I've flown from Ottawa to make this presentation.

As an aside, I can say I represent the database to support the submissions the representatives of the consumers council were making. The consumers' council was making broad-stroke statements about what private investors are confronting. What she was talking about are my clients, and I'm going to be talking about their experience today.

As another aside, the committee, by and large, has been hearing witnesses who talk about the broad picture. What I will be talking about affects each and every one of you to the extent you are investors. What I will be saying will resonate with each one of you to the extent you have lost money in the markets in the last few years or in one of the previous bear markets. All of you have aunts, uncles, sisters, brothers, parents who have been involved in similar situations, and what I am going to say is going to strike home very closely to most of you.

I either currently represent or have already settled claims for 33 distinct clients. I count the claims of a family as being a single client. I have ongoing investigations concerning several others. I accept as clients approximately one third of the people who approach me for an opinion. Most of my clients have retainer agreements by which I am compensated only in the event of success of the claim; in other words, contingency fees. I can confirm that very few of my brokerage negligence clients would have hired me otherwise. I instituted a practice of trying to get a small amount of money to cover my disbursements—I have to pay for an expert fee; I have to pay an accountant to prepare bookkeeping ledgers. Clients would not even pay the \$3,000, \$4,000 or \$5,000 I pay out of pocket in order to reach an opinion. It is a very, very gun-shy public out there.

While it is difficult to provide a precise profile of my clients or of their claims—of course, there are 33 differ-

ent ones—I can provide some statistics. The average amount of capital lost by each distinct client—remember, families are one client—is approximately \$175,000. I represent primarily Ottawa-area clients, but not only. I've got clients in British Columbia, the Maritimes and a few in Toronto. The numbers will differ based upon the regions, I expect, although I don't have enough data to support that. Overall, my clients' average loss in capital is \$175,000, and the period in which they lost that money is a few years.

The average age of the clients is at or near retirement. We are not talking about 30-year-olds who are losing \$30,000. We are talking about people who have retired or are looking straight in the face at an early retirement or a nearby retirement, and they've now lost their ability to retire as comfortably as if they had never met the broker in the first place.

Approximately half of the claims are directed against the brokerage arms of chartered banks. I have not looked at market share nationally. I don't know whether that is reflective of market share, and I have no opinion respecting that.

The other half of the claims of my clients is directed approximately equally against other stock brokerage firms, or investor dealers, as they're called, and mutual funds dealers.

I want to talk about the nature of the claims specifically. These are suitability claims. I want to stress, at this point, we are not talking about putting people in jail. We are not talking about unethical conduct, unscrupulous conduct, blatant elder abuse. I'm not talking about churning. I'm not talking about conflict of interest or putting money in your brother-in-law's pet project. I'm talking about bad advice—honest, bad advice. Every professional you ever meet is going to admit, in private, to having given bad advice. I am representing clients who have suffered from bad advice.

The first area I want to discuss is setting risk tolerance. That is the benchmark. Before an investment becomes appropriate, you have to know against what background the investment is to be judged. In almost all of my cases, clients have said that the adviser did not provide any advice with respect to the investment goals and risk tolerance that ought to apply.

In many cases, expert witnesses that I have had to retain have expressed the opinion that the clients' actual risk tolerance was far less than that indicated in the account application forms. The forms are called KYCs, for "know your client." That means that the broker, in order to give suitable advice, has to know who the broker is dealing with. Is the broker dealing with a 55-year-old woman who is going to need an income from her investments five years from now? Is the broker dealing with somebody who has a tremendous amount of money in five jurisdictions? The rules are different for each person. The client has to have that client's particulars known by the broker. The broker then amasses that and says to the client, "You have a tolerance for X risk and X as a goal of either growth or income."

Accurate KYC information is required by both the IDA and the MFDA in their charters and by Ontario Securities Commission regulation. It obliges registrants, which would be the brokers and the mutual fund dealers, to conduct reasonable investigations to ascertain the general investment needs and objectives of the client and therefore the suitability of each proposed transaction. The courts have ruled that financial advisers owe their clients the duty of care to give advice with respect to appropriate investment goals and risk tolerance. What I'm saying is obvious, but the courts have recited it as well.

Does it make sense for a patient to tell his or her doctor the diagnosis so the doctor can then prescribe appropriate treatment? Do I go to my doctor and say, "I've got polio. Treat me"? No. I go to my doctor and say, "I feel badly. Here are my symptoms." The doctor puts me through a battery of tests, asks me a bunch of questions about myself, my parents, my living style or whatever, and then, as a result of all of those facts, the doctor tells me, "I'm sorry, Mr. Hollander, you've got polio. Here's what we're going to do about it."

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The exact same analogy ought to apply to brokers. My clients have gone to the brokers and said, "Here's what I have. Here's what I earn. Here's what I want to accomplish in three, five, 10 years. What do I do about it?" The broker then says, "What is your risk tolerance?" The clients have no clue. What's risk? It's never explained. My clients are saying that the broker is asking the client for risk tolerance: "Tell me how much risk you're prepared to take on." My clients are saying, "I signed where I was told to sign. I don't know any more." When I question the clients, they don't have a clue what "risk" means. If a client wants to retire rich, but cannot save enough to reach that goal, then the adviser should tell the client this fact: "I've reviewed your expressed goals; you can't make it. You should accomplish this instead," or, "Let's talk about what you should accomplish." That's not what the brokers are doing, according to my clients.

The next area I want to talk about is called solicited trades. "Solicited" means the broker goes to the client and says, "I think you should buy this." "Unsolicited" is the opposite; the client goes to the broker and says, "I heard about this. I want to buy it."

After setting the goals and the risk tolerance, the investment adviser moves to portfolio recommendations. The adviser is presented with a portfolio of securities, transferred in from another brokerage perhaps, or newly invested money. The adviser should recommend steps to align the portfolio with the goals and the risk tolerance so that, just by way of example, a working investor nearing retirement can draw the income likely required on retirement.

What I see routinely in my cases is that the adviser recommends that their clients buy individual stocks or groups of stocks in mutual funds dedicated to a specific sector—tech, health care—investments which the clients cannot understand and the adviser does not take the time to explain.

Are these recommendations suitable for the client? That's what the KYC requirements in the Ontario Securities Commission's regulation requires. The court also mandates that the adviser has to provide suitable advice and provide the client with both the negatives as well as the positives about each investment decision: "Well, maybe you shouldn't buy Nortel, because it's awfully volatile and you can't afford to take the loss." Brokers don't do this, according to my clients.

Risk of loss in individual stocks or individual sectors, high volatility, concentration of securities, high management fees, as have been identified in some cases: These are all factors that should be discussed. My clients are reporting that their advisers routinely do not fulfill this function.

My clients also report that their advisers hold themselves out not to be salespeople of securities but as portfolio managers, financial managers. Look at the advertising; that will say it all. You can look up any of the big brokerage houses and they say, "We're your financial adviser." "We're your one-stop solution." "We have all four corners" or all four pillars—you've seen the ads; you've seen the bells and whistles. You have not seen the underlying delivery you've heard other witnesses talk about. These people are salespeople. They're rewarded for sales. They're rewarded for the turnover of their book. They are not rewarded for their clients making the appropriate investments and making money the old-fashioned way.

So when I question the adviser in the court process, the adviser maintains that this adviser is, in fact, knowledgeable about portfolio management. "Yes, I know that Nortel is such and such, and I've done the research. I've looked at my firm's analysis, and Nortel was appropriate for this client." But they cannot point to any training that gives them any expertise in portfolio management other than having been in the market.

Some of the people I'm pursuing have less than six months in the market. They have not been through one, much less three, bear markets. Looking around the table, most of the people here have been through two bear markets.

Interjection.

Mr Hollander: I was polite. Most of the people I'm looking at have not seen the 1990 bear market.

Doctors, accountants, engineers, architects—I blush to say, lawyers—we all have many years of formal training in university. We then have an apprenticeship program. If you go to one of the big Toronto Bay Street firms, they won't even let you touch a file until you've been in the firm for several years. You cannot do damage to the public until you are trained.

I took the Canadian securities course. I studied for it in the time it took me to make my presentation to the jury and the time that the jury came back with a verdict. This many hours: two. That's what it took for me to get through the Canadian securities course. There is half of one chapter dealing with things that you would consider law. I have an advantage over people who are not

lawyers and are preparing. There are 12 chapters. It took me two hours. This is three months of home study. You can do it in two hours.

Once you've completed that, you then do what's called the Conduct and Practices Handbook. I have not done that. I have the handbook and I've read it. It does not take very long to complete that. You can then cause damage to a seven-figure portfolio. You're relying upon the supervision of people above you who are incented not to make you have the right decisions, but they are incented to have you sell lots of product. They are incenting you now to sell managed product so that you get 2.5%, 3%, or 3.5% of the investment per year in fees. That's where the incentives are.

In my experience, people follow incentives. Professionals—lawyers, doctors, accountants, chiropractors, nurses—do not follow the money incentive so much, because they are trained in other methods of acting. They have a different ethical base.

I heard someone say that there's no Hippocratic oath with respect to financial dealers. That's not true; there is. All of the institutions, whether it's the IFIC or the MFDA, have ethical standards. They are just simply not followed.

In my submission, the lack of training on the part of brokers does not contravene any regulatory requirement. They only have to complete the Canadian securities course, the Conduct and Practices Handbook, and not be guilty of a felony over the previous five years, and they qualify. That's not the breach on the part of the financial institution; that's a breach on the part of whichever regulator is setting the bar. The bar is set too low.

In my submission, as long as the brokerage house, whether it be a bank or another brokerage firm, is big enough to sustain the loss, that is their risk. But the flip side is, if you're not going to spend time on loss prevention, then you have to make good the losses. They don't.

I next want to talk briefly about unsolicited trades. Frequently, a client already has a security or wants to procure another security outside of the apparent objectives and risk tolerance. We all know recent examples of Nortel and JDS. Ten years ago, it was Bre-X. Twenty years ago, it was Avon and other stocks. There's nothing new about irrational exuberance. If the client requests that the adviser buy a specific stock or fund, then the rule is that the adviser is obliged to provide "appropriate cautionary advice": "Don't buy the Nortel. It's wrong for you." It could be whatever. You explain what's wrong. My clients routinely deny that their advisers have done so.

What happens when there's a deviation from the KYC profile, the know-your-client profile? In some cases, the investments that are recommended by the broker have deviated from the risk profile as set out in the KYC. For example, the profile says "medium risk." Well, what is medium risk? Financial advisers receive no training in portfolio management. There are no guiding principles of what is medium, as opposed to high, as opposed to low

risk. I've seen portfolios which are 100% income identified as medium risk, and vice versa.

There is no applicable benchmark. Could it be that buying all Nortel stock in one portfolio is medium risk? Is it possible that Nortel at \$120 a share is medium risk, but at \$5 a share is high risk? I've heard that exact testimony. If the portfolio consists only of securities in technology or only of a mutual fund that does so, is that medium or high risk? I have heard competing testimony from brokers on that point.

My clients routinely report that the trades in their portfolios were offside the recorded KYC profile. They were really offside what the KYC ought to have been. So the broker records it as medium, and you're looking at it, and it cries out "high." Well, maybe it became high because the market changed. Everybody thought Nortel was a great, safe stock to own when it was \$120. Suddenly, it drops by 50%. Brokers told their low-risk clients to buy more—average down. That is a safe method of dealing with things.

1500

The Chair: I want to remind you that you have about one minute left in your submission.

Mr Hollander: I have three concerns, and the three concerns are this. The IDA receives complaints routinely. Those complaints deal with, "I lost money. My investment advice was bad. What do I do about it?" Well, the IDA routinely gives them a legal opinion—"You have no claim because of"—and provides the reasons why. I've got a problem with that. First of all, they are the industry representative. They don't disclose that they're the industry representative. They're in conflict. Second, they're not lawyers. It's not a lawyer writing the letter, but it's a legal conclusion. Third, they are discouraging the client. These are clients who then come to me, and I've got the letter from the IDA saying that they have a bad claim, and I then settle it with the broker for large money because it was a good claim.

What about all the people who get the letter from the IDA and say, "Well, they told me I have no claim. I'm not going to go to a lawyer, who's going to be very expensive"? They don't know that contingency-fee lawyers are an option. They are therefore discouraging claims at the expense of clients who do not know better.

Last, the process of submitting claims for review by the IDA and by the Ombudsman takes such a long period of time that the new Limitations Act may prevent the claims from proceeding; they may become statute-barred.

So I have three recommendations. First, clarify the role of the industry organization. They are not regulators; they are trade organizations. Second, raise the standards for registration. There are chartered financial analysts; I've never had to pursue a claim against one. Third, where the IDA, the MFDA or the Ombudsman deals with claims from private investors, they should state in clear language that they represent the industry and not the public, that their opinion is not cloaked with legal authority and that the client should get expert independence from someone who is not beholden to the industry.

Thank you for your attention today.

The Chair: Thank you for your submission.

Mr O'Toole: Chair, just quickly for the researcher, I wonder if they could begin drafting a list of acronyms. We're getting pretty much buried in them. I'm thinking we can remember most of them, but we need to have a list of acronyms.

The Chair: Research has advised me that there are definitions in this report.

Interjection.

The Chair: But there's more?

The researcher wants to talk to us about some other points as well. So we are advised of the request for acronym help.

MARTHA COADY

The Chair: Martha Coady. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms Martha Coady: Thank you, Mr Chair. My name is Martha Coady. I live up in Arnnprior, Ontario. Other than Ms Matthews, whom I met years ago, I've never met any of you. I was called to the bar in 1981, practised big-city litigation for several years and then moved back to my hometown. I haven't been in active practice for the past few years, but I have kept up with what's going on in the law, and I have followed this issue with some interest because I had a number of dealings with the IDA while I was still in practice and I have a bit of a background in administrative law generally.

I had been a chair of a provincial board in the mid-1980s, was the first counsel retained by the Ontario Human Rights Commission to prosecute a French hearing in the province and did a series of administrative hearings in terms of the military; immigration; disciplinary at the College of Nurses; and advising police officers on disciplinary matters.

Having seen the recommendations that Justice Osborne has made, I would urge the committee to consider adopting them. I think they made eminent good sense. There's a real problem when you have a body that is trying to enforce its legislation and adjudicate on it at the same time when the reputations of individual members of the public are at stake.

In that regard, there are two very recent decisions that I thought might be helpful for your committee to consider when you're looking at possible changes. One of them is a Federal Court of Canada decision, so it's not something that would automatically be followed in Ontario, but it's a very well-written judgment and I think it would be of considerable persuasive value. The decision is called *Democracy Watch v Howard Wilson*, the ethics commissioner, and they talk about the apparent conflict that arises there and the reasonable apprehension of bias that arises because of the lack of security in terms of the ethics counsellor's tenure. There was a finding by federal court that there was a reasonable apprehension of bias, that there was a lack of independence, and it's a very strongly written judgment in terms of what could constitute bias.

The second judgment, the one that I think is more important for this committee's purposes, is a very recent decision of the Supreme Court of Canada. The case is called *Phinney c. le barreau du Québec*. In the *Phinney* decision the Supreme Court of Canada upheld an award of damages against the Quebec bar which had been rendered in favour of Ms *Phinney*. Ms *Phinney* had sued the bar for having failed to properly supervise one of its members. That particular lawyer had a history of difficulties and yet the barreau was very lax in terms of their dealings with him. What they found was that the bar owed a duty of care generally, and that it was reasonably foreseeable that the damage that she suffered would result. In that judgment, I think it could be argued that the definition of "gross carelessness" that was used as the basis for liability there would deprive the OSC of its ability to properly be independent in terms of adjudicating and enforcing.

If you have a prosecutor who handles a file badly, and handles it with the degree of gross carelessness that in *Phinney* gave rise to liability, you can get an award of damages against a prosecutor who does behave with what's called flagrant prosecutorial misconduct. But that being the case, if you have someone who puts himself in that position, the employer then becomes vicariously liable. If there is a financial interest in the potential outcome of litigation, how can it be said that you have an independent body adjudicating if they have a potential financial liability at the end of the day, once a decision is given?

There has been a bit of a spitting match over the years between the OSC and the law society about who really can discipline lawyers when they misbehave. As everybody knows, that's something that happens fairly frequently. But in terms of the function that the OSC provides, let me say this: They are the only body in Ontario that thus far has shown the determination and the interest in going after the major financial institutions such as the Royal Bank of Canada and other bodies of that size. Other enforcement agencies that are supposed to enforce the legislation have not done so. I would echo Mr *Hollander's* remarks about the frustrations and difficulties of dealing with the IDA. They quite simply do not do their job. But the OSC, when it does take on a prosecution of a major body, does, generally speaking, a good job.

For that reason, Justice *Osborne's* recommendations that the enforcement against the bodies be left in the hands of the OSC makes excellent sense. But more importantly, when the reputations of individuals are at stake and there are going to be allegations made against them personally, it is crucial that you have an independent adjudicative body. For that reason, his recommendations should surely be adopted. I looked with some interest at the newspaper reports of yesterday's hearing and the questions that Ms *Matthews* put. I can't help but think that it's not hard to find a lawyer who will write down any recommendation you want to have, based on what I've seen over the years in court. If I were given the legal opinions in question, surely I'd look at them with some

interest. But Justice *Osborne* is a dispassionate individual. He has no axe to grind, he has no client here, and I had never known him, as a judge, not to call matters as he saw them. I think his recommendations make tremendous sense. I hope that you will adopt them.

Thank you very much for letting me speak.

The Chair: Thank you. We do have time for questions. We have about three minutes left. In this rotation we'll only have time for one party, and that would be the NDP.

Mr Prue: I think Justice *Osborne* was absolutely right too. I asked questions on that as well yesterday. It's preposterous to me that you can have a system where you have a judge and jury and a prosecutor and everybody rolled into one person. It just doesn't work.

But having said that, there were some other issues that you haven't dealt with. You're quite refreshing here in your candour, so I'm going to ask you: We've had a number of people talking over the last couple of days about prosecutions, criminal wrongdoings, the overwhelming, huge numbers—at least I thought they were huge—of people who are called for illegal activities. OSC finds one a week—excuse me, one a day; once a day, somebody is called. I asked one of the deputants this morning about the enforcement provisions: If we did one thing, would he suggest that it be to beef up entirely the enforcement provisions and the money there to go after these wrongdoers, and he said yes. Would you put the same kind of emphasis on it, or do you think that removing the adjudication branch would be sufficient?

1510

Ms Coady: No. In all of these—at the law society, at the OSC, at many of the administrative tribunals I've seen, including the Canadian Judicial Council—you've got difficulties because (a) there's a lack of transparency, (b) there's a lack of screening mechanism, and (c) there's a lack of enforcement, the point you've just made, which is an excellent one. The enforcement that's done is selective. It's not necessarily done with respect to the more serious ones; it's done with respect to the ones they figure they might be able to push through without anyone being the wiser.

The OSC doesn't tend to pick favourites, as far as I'm aware, the way some other bodies do. But there are other bodies where they will get an allegation of wrongdoing and, based on who it is, the enforcement isn't done, the investigation isn't properly done and the matter is buried. I think beefing up enforcement is a good thing, but if you are going to be beef it up, concurrent with that you must also make sure your screening mechanism at the prosecutorial level is a totally separate layer, is discrete and has some built-in checks and balances. Because in a number of these bodies, they're merged and basically become an indivisible whole, and it's almost impossible to penetrate or see any distinction between them. That's one of the major difficulties they have in terms of administrative law.

I hope I didn't go over the three minutes.

The Chair: No. Thank you for your submission.

ROBERT SCAVONE

The Chair: Is Robert Scavone in the room? OK. Have a seat, please. Good afternoon. I would ask you to state your name for the purposes of Hansard. You may begin your presentation.

Mr Robert Scavone: Thank you, Mr Chairman and committee members. My name is Robert Scavone. I am a partner with the corporate financial services group of the Toronto law firm McMillan Binch LLP, and I've practised corporate commercial law for over 17 years.

Let me begin by thanking you for giving me the opportunity to appear before you this afternoon. I am here on my own behalf as a lawyer with a strong professional interest in law reform in this area, but my remarks have the support of the Toronto Opinion Group, which is a group of about 40 Toronto lawyers who meet regularly to establish common standards for giving legal opinions in commercial transactions.

I am speaking in support of recommendation 5 of the five-year review committee final report, which advocates uniform legislation governing the transfer and pledge of securities, in particular the draft legislation known as the Uniform Securities Transfer Act or USTA, which has been prepared by the Uniform Law Conference of Canada and the Canadian Securities Administrators. I believe my friend John Cameron from Torys has already addressed you on this topic earlier this afternoon. I have been a consultant to the USTA project on a pro bono basis for the last three years. My colleague Wayne Gray and I submitted a written submission to your committee on August 11.

In my view, the USTA initiative is at least as important as the higher profile recommendations that are contained in the final report. There are any number of reasons why this is so, but I think the most significant is this: Without this legislation, Ontario's capital markets are at risk of losing millions, even billions, of dollars of business to the US, especially New York. Why? Because New York and every other state has uniform legislation that recognizes modern commercial practices in the securities industry and provides a sound legal framework that allows parties to predict the legal results of their actions with confidence, and we do not. What we have is a cobbled-up patchwork of laws that is at least 40 years out of date. It is no exaggeration to say that without this legislation our competitive position in the North American capital markets will be progressively eroded as business flows south.

I see signs of this erosion almost every day in my practice. Recently, a large financial institution asked me for an opinion that the transfer of certain debt securities held through the Euroclear system in Brussels was effective under Ontario law. I could not give that opinion, because it was not clear that Ontario law applied and the only way we could make that so would be to have someone actually withdraw the bond certificate from a vault in Brussels, take it out of the clearing system, have it couriered to Toronto, hand over the certificate to the bank in Toronto and then send it back to Brussels for re-

entry into the clearing system. This was simply impracticable, and the bank either had to accept an opinion full of unsatisfactory qualifications or not do the deal.

My colleagues and I frequently encounter cross-border transactions in which the secured parties are surprised and annoyed to learn that in Ontario a security interest in US treasury bonds can only be perfected by registration under the Personal Property Security Act in Ontario and not by possession or control, a superior method that would guarantee them priority against other creditors. To ensure priority, they then have to do searches and seek subordinations from everyone else who is registered ahead of them, which can be costly, impracticable or both. This often results in the debtor having to post a letter of credit, which can be expensive. I've spent many long and often fruitless hours doing and supervising research into abstruse legal issues involving where the law considers book-based securities to be situated, delaying transactions for days and even weeks and adding thousands of dollars to the legal bills, to the benefit of few people, except, of course the lawyers.

If the USTA becomes law, such sad stories will be a thing of the past. Without it, Canada may one day become a marginalized backwater in the capital markets as we continue to lose business to Wall Street.

A few words of background may be helpful to understand the context. The USTA and the companion amendments to the Personal Property Security Act and the Business Corporations Act are part of a separate branch of commercial law that governs the purchase, sale, pledge and holding of securities and other interests in investment property. Unlike the other proposals addressed in the report, the USTA is not securities regulatory law as such. Instead, it is facilitative or framework law that would promote legal certainty and reduce risk to capital market participants by putting securities transfers on a sound legal footing that reflects and responds to modern market practices.

Think of this body of law as the plumbing and wiring behind the walls of securities trading. It's largely invisible, and we only realize how important it is when a pipe bursts and floods the basement or a circuit overloads and burns down the house. Fortunately that has not yet happened. But today, Ontario has the equivalent of knob and tube wiring and lead pipes that were designed for an age when high tech was a radio and a bathtub, only now we're trying to run computers and HDTVs and Jacuzzis. Plumbers and electricians over the years have patched the system here and there to make it work a little better, but the time has come to rip out the walls and do a complete overhaul. That's what the USTA will do.

The existing law, which is in part VI of the OBCA and parts of the PPSA, dates from an age when securities trades were largely paper-based, when volumes were low and owning a share meant you held a share certificate with your name on it. This is known as the direct holding system, and it still works well enough for private companies. But as trading volumes increased dramatically in the 1960s and 1970s, it became apparent that moving

physical certificates around was no longer practicable. Gradually, an indirect or tiered holding system evolved whereby a clearing agency such as the Canadian Depository for Securities Limited, or CDS, as it's known, holds in its vault the physical share certificate for an issue, known as a global certificate, which is registered in the name of CDS, and transfers of positions in that issue between brokers are accomplished through electronic book entries—hence the term “book-based securities.”

This tiered holding system has resulted in much greater efficiencies. However, the law in Canada has not kept pace with these developments. The OBCA and PSFA were amended in the 1980s to create the legal fiction that the computer entries in CDS are the legal equivalent of delivering an endorsed share certificate and that it is possible to somehow be in possession of electronic book entries.

But these stop-gap fixes were less than satisfactory. The legal fictions tend to break down between anyone but banks and brokers who are the direct participants in CDS. It applies only to securities held through CDS. The law does not provide a coherent legal theory of what you actually own when you own a book-based security.

1520

There are serious gaps in particular in the area known as conflicts of law. These are the rules that allow the court to determine what law applies in transactions that have connections outside the court's own jurisdiction. For example, a Toronto-based bank might take a pledge of securities issued by a French company through Clearstream, which is in Luxembourg, from a debtor domiciled in Pennsylvania, using documents governed by New York law. Under the confused state of the law as it now stands, no one really knows what laws govern this sort of transaction. There are about half a dozen possible answers, mostly drawn from old cases that long predate the tiered holding system, and none is really on point. This uncertainty means that the secured party does not know where or how to perfect its interest in the securities so as to obtain priority over competing creditors and the trustee in bankruptcy. So as a lawyer, I have to advise my client to perfect its security interest in every possible jurisdiction that may have a connection, and then hope for the best. This adds needless expense, delay and uncertainty to transactions where margins are often razor-thin, time is money and certainty is essential.

The US is 10 years ahead of us in this area. In 1994, article 8 of the Uniform Commercial Code was extensively revised to reflect the realities of the tiered holding system. Revised article 8 introduced the concept of a security entitlement to describe the legal reality of what the owner of a book-based security actually owns, which is a bundle of rights against the securities intermediary. It provides a clear and easily applied set of conflicts-of-law rules. It replaces the fiction of constructive possession with the concept of control as the means of perfecting a security interest in investment property. The result isn't simple, but it is clear and coherent and certain. Those leaky pipes and frayed wires are history.

The USTA is based largely on revised article 8 and adapts much of its language verbatim as far as possible, even down to the official commentary. That's not to say that Ontario legislative drafters could not improve on this language—almost any statute could benefit from drafting refinements—but such tinkering would defeat one of the main purposes of the USTA, which is to bring to Canada legislation whose language and concepts are familiar to US capital markets, who value the certainty that revised article 8 brings. Familiarity in this area does not breed contempt; it breeds confidence.

The Chair: I want to remind you that you have about a minute.

Mr Scavone: That's all I need.

Implementing the USTA in Ontario will be the first step toward adopting truly uniform commercial legislation in this area across Canada, which is a very desirable goal.

If Ontario moves first to adopt the USTA, the goal of word-for-word uniformity throughout the country will be greatly advanced. As the leader in the Canadian capital markets, Ontario has a duty to provide leadership to the other provinces and territories.

Enacting the USTA will bring many immediate benefits. It will provide the legal framework for the increased operational efficiencies of straight-through processing, which will save the Canadian securities industry an estimated \$140 million a year. It will control systemic risk, it will reduce transaction costs and legal uncertainty, and it will keep Ontario competitive in the increasingly cutthroat capital markets of North America.

In conclusion, I would ask that you give your strongest support to the USTA initiative. It is an idea whose time has come and whose implementation is vital to Ontario's future.

The Chair: Thank you for your submission this afternoon.

PHILIP ANISMAN

The Chair: Philip Anisman, barrister and solicitor.

Dr Philip Anisman: I'm Philip Anisman. I'd like to thank you for this opportunity to appear before this committee on a subject that I have dealt with for the last 30 years or so in a variety of capacities, including as a practising lawyer but also as a legislative adviser, a policy adviser to securities commissions and a law professor.

I might say, when I jump right in, that my first comment won't surprise you, given that I led and was the principal author of the proposals for a securities market law for Canada, published in 1979 by the federal government.

So let me jump right in and start by saying that I support the recommendation that this committee do everything it can in furtherance of the development of a national securities commission. That would include, I'd suggest, approving the recommendations with respect to the harmonization amendments in the Crawford report.

Having said that, my major submissions will be on two other areas. The first deals with the structure authority and accountability of the Ontario Securities Commission. The second deals with investor remedies. What I'd like to do is deal first with the question of the adjudicative function, then with rule-making, and now I'm talking about accountability of the commission, and then with an accountability structure.

Let me say, and I don't know if I'm the only person appearing before you who'll say this, but I think that the Osborne committee simply got it wrong. I think that the commission's adjudicative functions should be retained. The reasons are expressed in my submission to the committee, and particularly in tab A, which contains a paper I wrote on the subject last fall. I must say in candour that a copy was provided to the Osborne committee. They even acknowledged it.

I have five reasons for saying that the commission's adjudicative structure should remain.

First, policy and adjudication are complementary. What the commissioners learn in developing policy and in administration enables them to apply their rules more thoughtfully and more accurately in adjudicative settings.

Second, the adjudication itself gives them information that feeds back into policy. There's a cross-fertilization process, and there are numerous examples of that happening with the Ontario commission as well as with other commissions. My second reason is that the commission's mandate in adjudicating involves the public interest. The public interest mandate was given to them so that they could deal with novel circumstances created by fraudsters that aren't anticipated in the clear rules when they deal with people in the industry and other people engaged in the marketplace.

In this respect, the commission does not just apply past rules when they adjudicate in disciplinary proceedings; their purpose is to protect the public interest, and in this respect they're not like a court. That's why I suggest in my paper that the commercial list wouldn't do, because courts are not used to applying a public interest standard. They apply legal rules.

The same applies to the sanctioning process that the commission engages in, and I mention this specifically because it's a focus of the Osborne report, which I have to say I read last night and this morning. I got it off the Web. There is policy involved in sanctioning, and the commission's expertise is very important. When they deal with a registrant—a broker or a salesperson—they frequently don't just throw them out of the industry or suspend them. They frequently impose conditions on registration that allow them to continue, but under supervision of various types. That involves expertise. Another one of their sanctioning powers is to review the practices of corporate issuers. Then they can order issuers to change their practices. That also involves expertise.

Those are the types of things that courts can't do and for which the policy-making and the multifunctional agency is important. In fact, that's why they were set up in the first place in the 20th century.

My third point is that you can't separate disciplinary hearings from regulatory hearings, as the Osborne committee suggested. Regulatory hearings, like hearings dealing with poison pills and takeover bids, frequently involve—in fact, usually involve—a request for a disciplinary sanction, like a cease-trading order. Indeed, when the commission issues cease-trading orders, which is a classic disciplinary function, in some senses it's also regulatory, because what they're dealing with is the disclosure adequacy of a corporation's file, and it's the same when they lift the cease-trading order.

My fourth point is that the perception the Osborne committee talks about relates really to the combination of investigative and prosecutorial functions with adjudication in the same agency. But I'd suggest to you that the same people don't do that. The commission has internal separation of prosecutorial and investigative functions from the adjudicative functions. Commissioners who adjudicate do not participate in the other functions. There's internal separation. The perception is because people think there may be some kind of psychological allegiance to the agency or something like that, and the Osborne committee refers to that. I'd suggest to you that that isn't very concrete.

1530

My final point is this: Wherever separation of functions has occurred in North America in agencies like the commission—it hasn't happened with securities commissions, but in agencies that have a policy-making function—where the policy-making part and the adjudicative part have been separated, it has resulted in undermining the whole regulatory scheme. Indeed, when you read my submission, if you haven't already, it quotes the leading text on administrative law in the United States—this is US experience—to the effect that one of the strongest ways of undermining a regulatory scheme is to separate adjudicative and policy functions in the manner that the Osborne committee suggests. That's bifurcation.

My next concern is rule-making. I'll be fairly brief on rule-making. There are two recommendations in the five-year report that I think are misguided. The first one is recommendation 13, which recommends that the commission be given a Henry VIII rule-making power, the so-called basket clause, that would give it, in effect, unconfined authority to make rules relating to the purposes of the act.

The conclusion of the Daniels task force was that the commission shouldn't have that power. They thought it shouldn't have that power because expanding the coverage of the act beyond its current context, in their view, required legislative authority. They didn't think the commission should be able to do it. Indeed, they recommended a more limited basket clause that wouldn't have given them that kind of authority. Some of that is described in the Crawford report, and it's also dealt with in my submission. They also recommended that the cabinet not have a Henry VIII clause.

What you have in the act now is this: When it was enacted, there was no basket clause for the commission,

but the cabinet has a Henry VIII clause of the type that the Crawford committee recommended the commission should have.

As I read what happened when the rule-making power was given, it's that there was a conclusion on the part of the government that if the commission thought it necessary to expand the authority under the act with respect to rules, it should generally have to go to the Legislature, as Daniels recommended, but it should at least have to go to cabinet to get a regulation that would expand it. So there was a clear conclusion at the time that the commission should not have unconfined power to make rules on any matter it thinks fit, even if it isn't already covered under the act. Indeed, they don't need it. The SEC doesn't have it and, as matter of principle, they shouldn't either.

The second rule-making concern is the recommendation—it's recommendation 21—in favour of giving the commission the power to make blanket rulings and orders. Mr Brown, in his remarks yesterday, at least the written ones, suggested that the purpose of that power would be to reduce the regulatory burden. The problem with it is, it would also allow the commission to make rules without the accountability process involved in the notice and comment procedure—the public participation part—or ministerial approval.

The difficulty with the recommendation, in my view, even though it's confined to exemptions, is that what exemptions do is allow people to engage in transactions without having to comply with provisions of the act that are frequently intended to protect investors. They can do that in individual cases, because then they can check the parameters and see what will happen. But I would suggest that they should not be entitled to do it generally, because that's equivalent to making a rule without going through notice and comment and ministerial approval.

Indeed, the current statutory regime permits them to make a rule granting an exemption without notice and comment, but sets a standard. The standard is that the rule is not likely to have a substantial effect on the interests of people other than the person exempted. The other people are usually going to be investors.

The Daniels task force in 1994 recognized that blanket rulings had been used by the commission as a regulatory tool. Indeed, they frequently set up regimes through conditions imposed on the exemption. Daniels was clearly of the view that the commission should have to follow the rule-making procedure when it granted general exemptions, subject to that one exemption, where it wouldn't substantially harm the interests of anybody other than the person exempted. Once again, I'd suggest to you that this is a recommendation of the Crawford committee that should not be adopted. It undermines commission accountability.

That brings me to the question of accountability itself. What you have with the commission now is an independent agency that is self-funding, that has very broad powers. It legislates through rule-making, it investigates, it enforces, it adjudicates. It, in effect, controls its own

budget, subject to its dealings with the minister under an MOU, which wasn't enacted as required by statute until five years later than it was supposed to have been.

I would suggest to you, and I'd submit strongly, that a stronger accountability mechanism is required for a commission with this kind of independence and the breadth of powers it has. What I suggest in my submission is that you recommend a standing committee before which the commission would have to appear on an annual or biannual basis for a review of its priorities, its accomplishments and its budget. I recognize that what I'm suggesting is closer to congressional practice than Canadian practice, where the SEC has to appear before congressional committees and appropriations committees to justify its budget and its conduct, but I'd submit to you that it is necessary in this case in view of the breadth of commission power. I'd suggest, as well, that that's the real answer to what Osborne is concerned with. Interestingly, for the Ontario securities tribunal, the separate adjudicator that Mr Osborne recommended, they recommended this kind of accountability mechanism as well.

If I can, briefly, I'd like to address investor remedies. I have basically two submissions on that. One goes to the secondary market civil liability regime. The second goes to the question of restitution and compensation power by the commission. There are other submissions on remedies in my written submission which I won't address.

I should point out as well that I was a member of the Allen committee, on which the current legislation is based, and I do support the recommendation in the Crawford report to adopt and enact the provisions in Bill 198, along with the amendments to it that died on the order paper in Bill 41, but subject to two caveats.

Before the legislation was enacted, as the Crawford report states, the CSA made modifications to the regime in order to address opposition by corporate issuers. I think what they did in doing that is they threw the balance that the Allen committee intended out of kilter, and they did it in two ways.

First, there's a mandatory costs requirement: Loser pays no matter what. That would remove a discretion in the court to say a plaintiff doesn't pay. I'd suggest that has the potential to deter actions. What you have to remember is that the civil liability regime is based on class actions brought on behalf of investors. That could deter them. Our courts have not been sympathetic to unmeritorious class actions, and there are a few cases cited in my submission. The mandatory provision, which could be a deterrent, I'd suggest, is unnecessary, unwarranted and unbalanced. I'd recommend that this committee recommend that section 138.11 of the act be deleted when it's enacted.

The second element of the statutory liability regime is the screening mechanism the CSA imposed. What they would require in order to ensure an action has merit before it is brought is an application to a court to get leave to bring it, in which the plaintiff would have to demonstrate that the action is being brought in good faith and it has a reasonable possibility of success at trial. The problem with that leave application is that it requires, in

effect, two leave applications: one to bring the action and a section under the Class Proceedings Act to certify it. That could impose additional costs—an unnecessary deterrent.

My recommendation is that the legislation be amended to allow a court, on the leave application, to also certify the action, if it grants leave at the same time, and leave that matter to the court's discretion.

The second issue is that the CSA would require affidavits, but they would only require in the affidavits that all of the parties swear to the facts on which they rely, and they refer for that recommendation to a report of the Ontario Law Reform Commission in 1982. The Ontario Law Reform Commission would have also required the parties to swear that there are no material facts relevant to the application of which they're aware that are not disclosed in the affidavit.

I'd submit that the amendments to accomplish this are simple. They're on page 30 of my submission. The act has to be amended in any event before the statutory scheme can be enacted. Bill 41's provisions have to go in. If you accept this submission, it's quite easy to plug in my proposed amendments and tilt the balance back a bit in favour of investor actions and the balance the Allen committee intended. It doesn't undermine what the CSA wanted in terms of a requirement for a plaintiff to demonstrate merit; it's just that it's a little more balanced.

My final submission—and if you'll give me one more minute, I'll conclude—is that the commission should have authority to make restitution and compensation orders after a disciplinary hearing.

The Crawford committee took a wait-and-see approach and said, "Monitor Manitoba and the UK, where this power exists." But it did recommend disgorgement and administrative fines, both of which the commission can now impose as a result of amendments in 2002. It also recommended that a criminal court, when it convicts someone of violating the Securities Act, should be able to make a restitution or compensation order. It just held back with respect to the commission. There's no reason to do that.

The commission should also be empowered to grant restitution or compensation to public investors where it's appropriate after a disciplinary hearing. After all, when you're talking about investor protection, compensation for harm is the greatest protection. There are reasons for my submission on that and I think they address any concerns the commission might have. They're in my brief.

I'll stop here, and if there's time for questions I'd be happy to address them.

The Chair: I regret that there is not time for questions, but we appreciate your submission before the committee.

That concludes the presentations for this afternoon, and indeed the public hearings.

Mr O'Toole: Mr Chair, with your indulgence, I'd like to move that at the completion of business today the subcommittee be authorized to meet to give direction on the legislative research compiling a report.

The Chair: All in favour? Carried. Further business?

SUBCOMMITTEE REPORT

Mr Delaney: Mr Chair, I have a report of the subcommittee of the standing committee on finance and economic affairs to table, and it reads as follows:

Your subcommittee met on Wednesday, August 11, 2004, to consider the method of proceeding on Bill 97, An Act respecting the sharing of resource revenues for First Nations, and recommends the following:

(1) That the committee intends to travel to Sioux Lookout, Osnaburg, Attawapiskat and Moose Factory for the purpose of holding public hearings on dates agreed to by the whips: September 20, 21, 22 and 23, 2004.

(2) That the committee clerk, with the authorization of the Chair, post information regarding the hearings on the Ontario parliamentary channel, the committee's Web site and advertise in the weekly and regional newspapers.

(3) That interested parties who wish to be considered to make an oral presentation may contact the committee clerk up to the day of the scheduled hearings.

(4) That the scheduling of witnesses and the length of presentations be as flexible as possible depending on the number of requests received.

(5) That the deadline for written submissions be established at a future subcommittee meeting.

(6) That Mr Bisson and the clerk of the committee, in consultation with the Chair, be authorized to finalize the logistics for the meetings.

(7) That the research officer provide the committee with background information relating to this bill prior to travel.

(8) That the research officer also provide the committee with a summary of deputations by Friday, October 1, 2004.

(9) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

The Chair: All in favour? Opposed? Carried.

This meeting stands adjourned.

The committee adjourned at 1544.

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Lundi 20 septembre 2004

Standing committee on finance and economic affairs

First Nations Resource Revenue
Sharing Act, 2004

Comité permanent des finances et des affaires économiques

Loi de 2004 sur le partage
avec les premières nations
des recettes tirées
de l'exploitation des ressources

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 20 September 2004

Lundi 20 septembre 2004

The committee met at 1308 at the Sunset Inn, Sioux Lookout.

FIRST NATIONS RESOURCE REVENUE
SHARING ACT, 2004LOI DE 2004 SUR LE PARTAGE
AVEC LES PREMIÈRES NATIONS
DES RECETTES TIRÉES
DE L'EXPLOITATION DES RESSOURCES

Consideration of Bill 97, An Act respecting the sharing of resource revenues for First Nations / Projet de loi 97, Loi concernant le partage avec les Premières nations des recettes tirées de l'exploitation des ressources.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. The committee is pleased to be in Sioux Lookout today as we begin our travels across northern Ontario. We're very pleased to begin our hearings in Sioux Lookout. I've visited the Sioux in the past and found it very enjoyable and I expect today to be equally so.

Before we begin, I would just remind members of the committee that the subcommittee report was very flexible. However, today we do have people booked for certain time frames, so I'd like to keep to that so we can get through the list of presenters that we know of who are here today. Then for questioning, I will probably go in rotation based on the amount of time left. We won't be real strict about that, but to be kind to the other presenters, we want to be on time as much as possible and we're beginning late already.

NISHNAWBE ASKI NATION

The Chair: With that said, I would call on the Nishnawbe Aski Nation to come forward. Grand Chief Stan Beardy, good afternoon. You have approximately half an hour for your presentation. I'm sure members would like to ask you questions, so if you could leave some time, that's entirely up to you. If you'd just state your name for the purposes of our recording, you may begin.

Grand Chief Stan Beardy: Remarks in Oji-Cree.

Good afternoon, Mr Chairman, members of the standing committee, chiefs, elders, women and youth. My name is Stan Beardy. I'm the grand chief of the Nishnawbe Aski Nation. I'm very happy to be here to open the proceedings.

As elected official of 49 First Nations of Nishnawbe Aski territory, I welcome this opportunity to present the views and concerns of my people within the Nishnawbe Aski Nation. I understand that many grassroots people will be here to make their presentations. I'm also happy to see many people here to listen to what our views will be.

This afternoon, we are here to state our position clearly for the record and to offer insight as to who we are as Cree and Ojibwa nations.

As we all know, development is advancing at a rapid rate into our territory. Historically, we have been excluded from opportunities and revenue that is generated from our lands. Unlike the past, it cannot cost us any more. Over the last few months leading up to these standing committee hearings, Nishnawbe Aski has lobbied our position on revenue-sharing. We have met a number of cabinet ministers. In these discussions, we have reiterated the need for revenue-sharing. Overall, there seemed to be consensus among the ministers that there was a need for formal revenue-sharing discussions between Ontario and the First Nations of Nishnawbe Aski Nation. We would like to see Bill 97 as a concrete step in this direction. We believe that time is of the essence and that these discussions must start now.

The sharing Treaties 9 and 5: In 1905-06, the treaty commissioners, as representatives of His Most Gracious Majesty of Great Britain and Ireland, and the Cree and Ojibwa nations signed Treaty 9, making adhesions in 1929-30. Treaty 5 was signed the same way in 1875. As signatories, First Nations have a direct relationship with the crown, making us distinct from others in Canada. We are rights holders; we are not stakeholders.

Nishnawbe Aski consists of 49 First Nations. We have seven tribal councils within our territory. In land mass, our territory covers two thirds of the province of Ontario.

Socio-economic conditions: My First Nations experience higher levels of poverty in comparison with the rest of Ontario. Unemployment rates range from 65% to 95%. In the 1990s, the median income on-reserve was \$8,900, compared to Ontario's, which was 120% higher. The average education is less than grade 9. Other difficulties include poor housing, poor community services and infrastructure, inadequate medical services and a poor standard of education.

Over the past 100 years, Ontario has failed to tackle the roots of these problems. Answers can only come from

ourselves. I believe Ontarians must ask themselves if they can afford the status quo; we certainly cannot any longer.

Youth suicide within Nishnawbe Aski is a social crisis of epidemic proportions. NAN youth rates of suicide are six times the national average. For the eight-year period from 1986 to 1993, there were 81 suicides in Nishnawbe Aski. In the next eight years, 1994 to 2001, there were 154 suicides. In the year 2003, 15 young people completed acts of suicide. The youngest suicide victim was 10 years old. One third of all aboriginal deaths are due to accidents and violence.

We have a chart here. The blue column represents First Nations statistics, and it's divided into age groups: zero to 14 and 15 to 24. The dark grey areas represent the rest of Canadian society.

In terms of the future, we want to break the cycle of dependency and become economically viable communities. We want to be able to provide a future for our children and our youth. We would like to use the land's resources as a way of becoming self-sufficient and to improve our health and standard of living. Revenue-sharing is a necessary step in that direction. I believe fairness and public purpose should guide us.

Ontarians have to acknowledge that we face a serious problem that can only be solved by working together.

Here is the forestry legacy: Out of the 22 million cubic metres harvested from the area of the undertaking, only 8% is available for First Nations to harvest. Of this harvest, virtually all is processed by mills owned by the forest industry, which receives all the profits. First Nations see little, if any, money made from the manufacture and sale of fibre that is removed from our territories. It is estimated that the annual total amount of revenues and royalties generated by forestry is \$15 billion. This does not take into consideration the potential in the north.

Mining legacy: Of the \$172.7 million spent on mining exploration in 2003, very little of these dollars found their way to our First Nations communities. In 2002, mining in Ontario employed 21,000 people, and 75,000 people in spinoff jobs, earning an average salary of \$59,500, while our youth remain largely unemployed.

While mining generates \$50 million to \$90 million in provincial royalties every year, it has left a toxic legacy on our lands. It is estimated that it would take nearly \$900 million to clean up the abandoned mines in Ontario, many of them located on lands of the Nishnawbe Aski Nation.

Here we have the current revenue stream. At the bottom, number one, is where the wealth is generated. Then it goes to the industry. From the industry, in some cases, it goes to the municipality and then to the province—the crown. From the province it goes to the feds and then, number six, it comes back to First Nations as social transfer payments.

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We want to enhance our ability to create economic stability in our First Nations so that our children can learn in an environment that is not impoverished. We

want our First Nations to be able to have an economic base so they can have the best schools possible and infrastructure in the community to sustain itself. We want revenue-sharing. We want compensation for our exploited natural resources. We want impact and benefits agreements. We want the tools to help our people.

If the government really looked at it, they would find that revenue-sharing actually eases the tax burden on Canadians, because they will have to pay less to keep First Nations in poverty. We must look at the solutions, but the government must be willing, and we must have the support of people such as yourselves.

The Nishnawbe Aski position on Bill 97: Bill 97 is supported in principle by Nishnawbe Aski Nation, but it should go to third reading with the following amendments:

(1) It needs to recognize and entrench the government-to-government relationship shared between the First Nations and the crown;

(2) Resource companies must be excluded from the negotiation of a future revenue-sharing agreement, because they are not a party to the fiduciary relationship, nor should legislation be passed to supersede or interfere with this; and

(3) Concurrent with the negotiation of a revenue-sharing agreement, legislation or regulations should be passed to require compulsory impact and benefit agreements with resource companies so each First Nation is free to negotiate its own agreements.

Future considerations for a comprehensive revenue-sharing agreement: The importance of revenue-sharing increases over time as more land is taken up by industry. This will reduce the area of land First Nations use for traditional pursuits and will affect the condition of the land for future generations. Benefits from resource development must be maximized in exchange for this loss. Revenue-sharing must include consideration of a financial component to recognize past use and present resource development, and must be distributed to benefit all the First Nations in Nishnawbe Aski.

To effectively participate in future revenue-sharing discussions, First Nations must be provided with capacity and expertise. Alongside revenue-sharing, First Nations must also be provided with access to resources, capital and training capacity. First Nations would want to consider all the various types of revenue-sharing, not just royalties.

Revenue-sharing is not a panacea. It will never be enough to build all the infrastructure and industries we need, but it is a start. Revenue-sharing isn't just about mines, dams, mills or tourism. Social and political development must go alongside. There is no single, painless solution to the crises in our communities, but revenue-sharing can be part of the solution. Solutions do not reside outside of our control, but we need only be given a share of the resources to help address them.

In conclusion, some things to take away from my comments:

(1) We need and support Bill 97 in principle;

(2) However, unlike the current bill, our vision of revenue-sharing is built solely on revenue-sharing with the crown;

(3) First Nations need to be able to negotiate our own arrangements in addition to provincial revenue-sharing; and

(4) Revenue-sharing must address the fact that billions of dollars were extracted from our lands in the past.

We are very prepared to make this a public issue. We know and understand that success is also dependent on the rest of Ontario. We call upon the standing committee and all citizens of Ontario to support the just and fair treatment of Canada's First Peoples. There is revenue-sharing everywhere else across this country except Ontario. We look to the future generations, who will inhabit the land and will inherit the future that we make for them today.

Ladies and gentlemen, that was our presentation. Again, thank you for the time allowed for Nishnawbe Aski to make its comments.

The Chair: Thank you for the presentation. We have about five minutes per caucus. We'll begin with the official opposition.

Mr Norm Miller (Parry Sound-Muskoka): First of all, Mr Beatty, thank you very much for coming today and making your presentation. I guess if I could ask a couple of questions about your submission, you say that you'd like revenue-sharing direct with the crown but, at the same time, the individual First Nations would still negotiate individual agreements with resource companies in addition to that. Is that correct?

Grand Chief Beatty: That is correct.

Mr Miller: OK. I'm looking at the situation and wondering, from the perspective of a company doing business, I would think they would want to have, and hopefully this bill might create a situation where, the rules are known so they know the costs of doing business. So if there are still individual negotiations that go on, that makes more uncertainty. I'm wondering if you have any comments about that.

Grand Chief Beatty: Yes. In my comments, Mr Miller, the purpose of why we're making the presentation today is to help to create certainty. Right now, as you know, there is no certainty in the marketplace and, unless there are legislation and regulations to determine how we can benefit, there will be no certainty in the marketplace. I think the starting point, when we talk about fairness—it has to start on a government-to-government basis. Through those discussions, we can arrive at some formulas that we can work with industry, but I think the primary place to start sharing the wealth is with the province.

Mr Miller: But in terms of having certainty from the perspective of a mine going in, for example, they still wouldn't know the cost of doing business because, as well as having this government-to-government sharing, they would still have to negotiate an individual situation, which is I guess more or less what has been going on at the current time.

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Grand Chief Beatty: Yes. I guess what we're saying is that by having a government-to-government process in place, with the legislation and the regulations—if we had that discussion on a government-to-government basis, we would be able to come up with parameters to work with.

The Chair: We'll go to the NDP.

Mr Gilles Bisson (Timmins-James Bay): First of all, thank you for your presentation. I only have one question but I think it's more of a clarification that I'm looking for, and then I know my colleague has one.

On the third principle you speak of, which Mr Miller just talked to you about, I take it what you're saying is that if revenue-sharing is put in place—and I don't want to put words in your mouth—what you're talking about is that you still want the ability to negotiate what we call benefit impact agreements, which are quite another matter. It's about training. Maybe you can explain, just so we're clear, what we're talking about here, because it's a pretty key point.

Grand Chief Beatty: I guess what we're talking about—one is that I quoted some numbers, what kind of dollars are being generated from our lands currently. I have not begun to talk about what has been exploited, extracted, from our lands for the last 100 years or so. My point is that none of that goes back to our community, and that's one of the reasons why we're so poor. What we're saying is that in order to improve the standard of living for my people, there has to be an arrangement with the province, the crown, as to how we're going to share in the wealth that is being created.

Also, we need the ability to negotiate arrangements with the industry to look at employment, training. I think it's understood that when there's a major undertaking, there are economic spinoffs which are not direct hand-outs, and we want the ability to look at how we're going to capture the economic spinoffs of any undertaking.

I think we're talking about two things. One is, we know there is money being generated with the industry and that taxes are collected by the province, and we need to negotiate that so that some of those go to my people. As well, we need to be able to negotiate agreements in terms of economic spinoffs with the companies coming to our territory. We're talking about jobs as well.

Mr Michael Prue (Beaches-East York): I have a number of questions. The first one is, I take it you want to continue your relationship with the federal government but you are asking that the province now take a greater role with First Nations.

Grand Chief Beatty: I think if you were to look at historical documents, there was never any real distinction between the Canadian government and the provincial government. When we signed a treaty, it said, "The commissioners, in right of His Majesty."

Mr Prue: In my travels, although they've been limited in northern Ontario in this particular area, there seems to be, for some of the bands, for some of the communities, a huge sense of isolation. There's no access to the outside world, except maybe for a winter road. Places

like where we're going, to Peawanuck or Attawapiskat or Ogoki, you just can't get there. Do you see that the province has a responsibility to open up or would you approve of opening up these areas so that business and tourism can come? Is that part of your overall plan in the future?

Grand Chief Beardy: I think we understand that it is inevitable that industry is moving north. Until very recently, my people have said, "We're not against resource development, but if there's going to be resource development in our territory, we have to make sure that we benefit." Now, "benefit" means that we'd like to have control and access to what happens in our areas.

Mr Prue: I would take it that one of the most important things is to give the young people a sense of hope. I am despaired by the number of suicides, by the fact that education is fairly low and by the fact that so many people are unemployed. Do you believe that revenue-sharing should first go toward the education, training and employment of young people? Is that where we should be heading?

Grand Chief Beardy: When you look at our statistics, we are so far behind in all areas. Our health care is very poor because of our isolation and the high cost of doing business. I think when we talk about benefits, we're talking about all those areas.

We have to give hope to our young people, and one of the best ways to do that is to make education and training available to them. But at the same time, if we're going to educate them and provide training opportunities, they must have a sense that they'll be able to use what they learn.

The Chair: We'll move to the government.

Mr Mike Colle (Eglinton-Lawrence): Grand Chief, what would be a good example of revenue-sharing working in another part of Canada? I notice Quebec seems to have the most recent and comprehensive one. I'm not sure if there could be a model that we might be able to look at as one that seems to be working.

Grand Chief Beardy: There are lessons to be learned from other jurisdictions. In Quebec, there is a revenue-sharing agreement in principle, signed by the Grand Council of the Crees and the province of Quebec. The agreement directs a greater share of revenue from natural resources-based industries, like forestry and mining, and hydroelectric projects to First Nations in the province. The agreement will deliver at least \$70 million annually by the 2004-05 fiscal year. That total is indexed to reflect the progress of activity in hydroelectric, forestry and mining.

Also, in the Yukon, crown royalties from oil, gas and minerals are shared annually with the First Nations, with final agreements on the basis of 50% of the first \$2 million and 10% of any additional amount, up to a maximum limit.

In British Columbia, in the February 2004 throne speech, the BC government reiterated its commitment to involve First Nations in forestry through revenue-sharing and tenure opportunities. Since September 2002, the province has signed agreements with 33 First Nations,

providing \$43.9 million in revenue-sharing and access to over 8.5 million cubic metres of timber.

Some of the First Nations deals included within these amounts are the following:

Gitga'at First Nation will receive a share in forestry revenues of \$1.57 million over the next five years, with an invitation to apply for 125,000 cubic metres of timber over the next five years.

Gwa'Sala First Nation will receive \$1.73 million in revenue-sharing and an invitation to apply for a forestry licence up to 187,650 cubic metres of timber over the next five years.

In Labrador, under a final agreement, the Nunatsiavut government will be entitled to 25% of provincial government revenues from mineral resources on Labrador Inuit lands, 50% of the first \$2 million in provincial revenues from the settlement area outside Inuit lands and 5% of additional provincial revenues in the settlement area outside Inuit lands. Those are just some of the examples across Canada where revenue arrangements have been negotiated or put in place with First Nations and various provincial and territorial governments.

The Chair: Thank you very much for your presentation.

Before we move on, I'm informed that we do have a translator for Oji-Cree available if anyone requires that.

I'll ask our next presenter to come forward.

Mr Bisson: Mr Chair, can we have someone to say that in Oji-Cree so they understand there is a translator here?

The Chair: I suppose.

Grand Chief Beardy: *Remarks in Oji-Cree.*

Mr Bisson: Merci.

1340

GRASSY NARROWS FIRST NATION

The Chair: I would ask our next presenter, Steve Fobister Sr, Grassy Narrows First Nation, to come forward. Good afternoon. You have 20 minutes for your presentation. As you noticed, we allow for questions within that time if you wish. I ask you to identify yourselves for the purposes of Hansard. Please begin.

Grand Chief Simon Fobister: Good afternoon, ladies and gentlemen and members of the standing committee. I'm Chief Simon Fobister from Grassy Narrows. To my right is Deputy Chief Steve Fobister. Steve is my number one man, so to speak. He'll be making the presentation today. Steve has extensive experience being a leader in our community as well as being a leader of Grand Council Treaty 3—he is a former grand chief.

We thank you for this opportunity to speak to the standing committee. As you're aware, Grassy Narrows has been in the news for some time now because of the blockade we have and our concern with the forestry activities impacting on our lifestyle. We're very concerned about that. One of the issues we're also concerned about is revenue-sharing.

I'd like to introduce Steve and have him make the presentation. Thank you.

Deputy Chief Steve Fobister: Good afternoon. As the chief just informed everyone here around this table, I'm Steve Fobister, the deputy chief of Grassy Narrows First Nation. First of all I'd like to welcome everyone here to the Ojibwa territory. I hope that you find yourselves comfortable. You're all welcome to our land.

This is a submission I want to read out from the Grassy Narrows First Nation community regarding Bill 97, before the Legislative Assembly of Ontario.

Bill 97, An Act respecting the sharing of resource revenues for First Nations, is an appreciated but long-overdue initiative.

The Grassy Narrows First Nation of the Anishinaabe Nation in Treaty 3 is indeed suffering from impoverished living conditions brought by the crown ministry's policies which ignore the spirit of the intent of Treaty 3 with Canada. As an essential element of Treaty 3 being a peace and friendship treaty, the clear intent of our Anishinaabe leaders in 1873 was to establish a relationship based on the sharing of natural resources.

We have requested on many occasions that Ontario honour our treaty and establish a respectful government to govern the relationship with our First Nations to address the injustice of treaty violations. As a result, one of our most recent attempts was a letter to the Honourable David Ramsay, Minister of Natural Resources, dated August 9, 2004. I will provide a copy. We've had no meaningful response or consultation of any kind regarding this long-outstanding issue. Our position, established at the time of the treaty, has always been that our First Nations are willing to share the natural resources of our treaty territory as established in 1873 with Canada.

Canada has chosen, through a legal process, to establish jurisdiction for governance of natural resources with its provinces and territories. Our government respects this jurisdiction, and demands that the province of Ontario respect our First Nations jurisdiction and the rights of our people as established in the Royal Proclamation of 1763, our treaty and the Constitution of Canada.

Bill 97, if enacted, will be a helpful step by the government of Ontario in addressing the long-outstanding injustices which have led to the impoverishment of our communities. We do not see any alternative to negotiated settlements. Only when our people's rights are respected and their self-respect as self-sufficient people is re-established can a healthy, sustainable natural resource economy be established for our First Nations communities and people seeking to share our lands and resources.

It is essential that a government-to-government relationship be established through negotiations to establish a jurisdictional relationship for governance of natural resource management prior to establishing working relationships with private sector interests. It is important to keep the issue of government revenue-sharing separate from governance of private sector activities. Currently, our First Nation government does not have the capacity

to exercise constitutional responsibilities to our people for protecting environmental and human health and sustainable management of natural resources for economic self-sufficiency and well-being.

Our natural resource law, the Manito Aki Inakoni-gaawin, welcomes the initiative of crown ministries and the private sector's interests to establish healthy and sustainable land use and natural resource management activities in the traditional area of our community and in our treaty territory. However, the sacred law of the Anishinaabe Nation in Treaty 3 has not been respected by ministries or companies to date, resulting in increasing tension between our First Nation communities and those who are extracting natural resources from our territory. Sustainable development and a healthy economy are not possible in this confrontational environment.

1350

The alternative to a healthy, natural-resource-based economy for the Grassy Narrows community is to continue the welfare economy established by the Union Act of Canada. This alternative, in addition to the violations inherent to aboriginal treaty rights of our people, is an undesirable and unneeded burden on Canadian taxpayers. We therefore welcome the opportunity to finally begin negotiations to address the sharing of revenue and resources in the Treaty 3 territory.

I thank you people for this opportunity to comment on this very important bill. Meegwetich.

Grand Chief Fobister: I'd like to make an additional comment. The Grand Council Treaty 3 will be making a written submission at a later date. We don't pretend to speak on behalf of Treaty 3; we're speaking on behalf of our community, although we are part of Treaty 3 and we are concerned, definitely, that the treaty as a whole has not been respected and has been abrogated. We are very concerned about that.

The Chair: Thank you. We have about 12 minutes left, so we have perhaps four for each caucus. We begin with Mr Bisson.

Mr Bisson: Just a really quick question: I just want to clarify for the committee that the province never signed Treaty 3, if I understand correctly, right?

Deputy Chief Fobister: That is correct.

Mr Bisson: The request that you're making is for them to recognize what was in the treaty so as to recognize your right to the land.

Deputy Chief Fobister: In order for the relationships to exist.

Mr Bisson: Maybe just for the committee, because some people may not get that nuance, but the reality is that in negotiations, it's the position of Treaty 3 and others that the rights to the land were never given up. Maybe you could explain that a bit, just for people to understand. There may be some misconceptions all around.

Deputy Chief Fobister: First of all, the way I understand it is that we've never surrendered our natural resources, everything from water, trees, minerals—things that provide sustenance for our people and things that are

built under their livelihood. I think one of the misinterpretations that the provinces—particularly the province of Ontario has misinterpreted the treaty. They took out the interpretation in our treaty—the meaning of “sharing” into “surrender.”

Mr Bisson: That's important. Michael?

Mr Prue: I'm going to show you how old I am. I remember that, at least 30 years ago, Grassy Narrows was very much in the news with all the health problems related to mercury poisoning. I trust that some of that has been cleaned up, although I don't really know, because I've not heard much in the intervening time. Can you tell me, were the people of Grassy Narrows ever compensated for having their food source, their water supplies, poisoned?

Grand Chief Fobister: When Reed Paper originally polluted the river system, they dumped, as I understand it, about 20 tonnes of mercury into the river system. The majority of it is still in the bottom sediments of Clay Lake, which is above us. Every time there's a spring runoff and the sediment is disturbed, more mercury gets flushed into the system. Canada and Ontario did assemble a task force to try to figure out how they can remove the mercury, and at that time the cost was too prohibitive. I think they estimated that it would cost \$200 million to dredge the sediments from the bottom of Clay Lake, and the fear too was that it was just going to release more mercury into the river system. Ontario and Canada did contribute to a settlement package, but only to meet the liability of Reed Paper. I believe they contributed about \$16.6 million to settle with Grassy Narrows and Wabaseemoong White Dog, as we were formerly called. They also set up a mercury disability board—both bands contributed \$1 million each, and it's still ongoing. There is Ontario legislation in place that requires it to top up the fund if the fund goes below \$100,000. As I understand it, when Mike Harris was Premier of Ontario, he contributed \$6 million to replenish that fund. I believe that fund will also have to be replenished in two or three years' time.

The Chair: We'll move to the government.

Mr Colle: At the beginning, I think one of you mentioned the impact that resource exploitation is having on your quality of life. I'm just wondering, as you ask us to look at the potential of revenue-sharing to create more economic opportunities, how do you safeguard against revenue-sharing or a move toward that impacting on more extraction of lumber and wood products, more extraction of mining raw materials—iron ore etc?

Grand Chief Fobister: I think it has been very clearly made to the public that we're not against logging; we're against bad logging. When we say “bad logging,” we're talking about these huge clear-cuts and the removal of all the standing timber—not just timber that's relied upon by the lumber industry or the pulp and paper industry, but the other species of wood that are being cleared with disregard. I'm talking about the value-added products industry, which depends on birch and other trees to use in the industry, and that's also being removed.

Also, the soil is being disturbed and flattened by machinery, and we see soil erosion. In some places there's only about an inch of soil over the Canadian Shield, and once that soil is gone, when it's washed away by rain, there'll be nothing but bare rock. You can't plant trees on solid rock. I can't see it. I don't know how anybody else can see it. Soil erosion—we also see streams being plugged up. Walleye depend on these streams being open so they can spawn. We just see a lot of drawbacks.

The clear-cuts also impact on the trappers' way of life, and that's a concern. I think clear-cuts only accommodate big industry and the bottom line. They drop in a million-dollar machine and cut 24/7—24 hours a day, seven days a week—and it doesn't accommodate our interests. I think the harvesting methods have to change.

We believe in the philosophy of live and let live, and I think it has just been a one-way street so far. Big industry makes money, the municipalities tax the workers who work at the pulp and paper companies, the Ontario government collects stumpage that goes to your treasury, your consolidated fund, and the federal government taxes the workers. What do we get? We get absolutely nothing.

1400

I went to Barriere Lake, Quebec. They have a trilateral agreement with Canada and the province of Quebec, and they've documented and they've researched how much resources were leaving their territory. I believe it was over \$100 million annually in hydroelectric energy, minerals and timber. And what do they get? Zero.

I think that somehow we have to change things; we have to redistribute the wealth. Until that day comes, we won't see eye to eye. We don't see things the way you do, and that's why we say we're impoverished. We have 80% unemployment. Barriere Lake mirrors our image. They have 80% unemployment. When is this going to stop? When is Canada going to stop this and when are the provinces going to stop this?

The Chair: We'll move to the official opposition.

Mr Miller: Thank you, Deputy Chief and Chief, for coming in today and making your presentation. Deputy Chief, in your presentation, I believe I heard you say—and correct me if I'm wrong—that you currently have a welfare state but you want to be self-sufficient. Did I hear that correctly?

Deputy Chief Fobister: I think if you look at prior to 1963, before the implementation of government policy and the extraction of resources was well underway in our area, we were a very self-sufficient people. In fact, we held very little value of what the outside world needed to survive, like the commodity of money, because 90% of the sustainability of our lives came off the land. But that has all been taken away.

Mr Miller: So prior to the 1960s, you were self-sufficient, but now the current situation is a welfare state, basically, where you have 80% unemployed.

Deputy Chief Fobister: Yes.

Mr Miller: I'm just speaking theoretically. Let's just assume that a revenue-sharing agreement is made. How would you see that money going to assist you to become

self-sufficient? Also, where would it flow? Would it go to NAN or to individual bands, and how would you use that money to benefit your community and to make yourselves self-sufficient?

Deputy Chief Fobister: I think it would greatly help out our shortfalls, whether it's in the form of our child welfare needs, whether it has to do with some of the things we need to strengthen our communities, things that are not given to us to be able to have the capacity to deal with community crises. One of my people has told me that revenue-sharing is essential for the survival of our people. If that is not possible, if revenue-sharing is not going to be the future, as he put it, then you might as well kiss this generation and the next generation goodbye.

Grand Chief Fobister: I'd like to make an additional comment. I think if you study the history of our community, our commercial fishing was destroyed because of mercury pollution. It was banned in 1970 and continues to be banned except that a limited form of commercial fishing exists. The fish, the walleye and the northern, their levels of mercury are way too high for us to consume. Also, the tourist lodge, Ball Lake Lodge, at that time employed 100 of our people, and that closed in the 1970s.

I think what we're talking about is a complete reconstruction of our economy. We have to reinvent ourselves, so to speak, and reinvent our economy. If revenue-sharing does happen, I think we'll certainly have the money to do it, because there are eco-tourism opportunities and there are value-added products—wood products—we can get into, but we need a boost in revenue to do that.

The Chair: Thank you for your presentation this afternoon.

ONTARIO MINING ASSOCIATION

The Chair: We'll call on the Ontario Mining Association to come forward, please. Good afternoon.

Mr Patrick Reid: Good afternoon, Mr Chairman. My name is Patrick Reid. I'm the president of the Ontario Mining Association. I'd like to welcome you to God's country in northwestern Ontario. I used to live up this way, and I still have my cottage on Rainy Lake, outside of Fort Frances—much more modest than Mr Hampton's cottage, I might say; he has a cottage on the same lake.

Members of the committee and the Legislature, Grand Chief, chiefs, and ladies and gentlemen, I represent the Ontario Mining Association, which represents primarily the producing mining companies in Ontario: the Incos, the Falconbridges, the Placer Domes. We do the actual mining. The other section, if you like, of the mining industry is the prospecting industry: the junior mining companies that often go out and find the mines, do the initial prospecting and then usually make an arrangement with the producing mines to put the mines into operation.

I have a video that the Ontario Mining Association has prepared. I think you should know that there is an awful lot of dialogue and meetings and programs going on in

terms of the resource industries, particularly mining in our case, and how we can best be partners with the native communities, particularly in the north of 50 area.

I'm going to show you this video that has been produced by the mining association, with the assistance of the ministry of mines. Its focus is to try to help native communities understand what modern mining is about and the opportunities available, especially for young people, in terms of jobs in the mining industry. Then I'll make a few brief comments at the end.

I should say that the ministry of mines and the federal Ministry of Natural Resources is also collaborating on another video that will complement this one in trying to give some idea of what modern mining is all about. As well, this video is in the process, as we speak, of being translated into Cree, Oji-Cree, Ojibwa, English and French, and will be available to native communities, along with a toolbox of information on technical courses that natives can take and entrepreneurial and business opportunities that come with mining.

1410

One of the interesting things about mining, as Grand Chief Beardy mentioned, is that in many cases we believe that mining, especially north of the undertaking, is the best opportunity for economic development for native communities, and also that it is going to be a big opportunity for the mining industry, because, frankly, we're going to need a whole bunch of new people trained to mine and we're looking to the First Nations for a number of those.

I don't know if people in the audience or even the committee can see this very well, but it's started.

Video presentation.

1425

Mr Reid: I should say that it was Big Soul Productions, which is an aboriginal media group in Toronto, that put together the production for us.

The Chair: I'd like to mention that your time has expired, but if you could summarize for us.

Mr Reid: I will very shortly, Mr Chairman. Just one thing: I want to emphasize to the committee that there are already many impact and benefit agreements with mining companies in Ontario. The industry knows this is going to happen and we don't feel, necessarily, that it needs to be legislated. It's a way of doing business in partnership with our communities. You'll hear details about that from Mr Seeley of Placer Dome.

I just want to run through the recommendations:

We feel the bill is too vague. The definitions are not very well defined. We do not believe that it should go any further until there's been a lot more work done on it and the complexity of this issue is dealt with by a broad group.

However, if a restructured Bill 97 is to proceed, it must ensure that there are no additional costs to the mining industry, which already pays a number of taxes at the municipal, provincial and federal levels, including the Ontario mining tax. I believe I heard the grand chiefs

make the point themselves that the revenue must come from the other level of government.

Any new requirements such as revenue-sharing should apply only to new mines.

Government and First Nations must identify in advance those lands which are their "traditional lands."

The federal government, which has a majority responsibility for First Nations under the Indian Act, must be involved in any of these negotiations.

We'd like to emphasize that mining is a high-risk business which operates in the more isolated areas of Ontario generally, making it not only more risky but more costly. As such, investment and the opportunities which flow from that should be encouraged, not discouraged by yet another layer of costs on the industry.

The Chair: Thank you for your presentation.

PLACER DOME CANADA

The Chair: I would ask Placer Dome to come forward, please. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions if you wish. I'd ask you to identify yourself for the purposes of our recording, Hansard.

Mr Colin Seeley: Good afternoon, ladies and gentlemen. My name is Colin Seeley. I'm with Placer Dome Canada. I'm the manager of aboriginal affairs and corporate relations out of the Toronto office. I've only recently moved there. I spent 10 years in Thunder Bay, working throughout the north on aboriginal relations and, in particular, the Musselwhite mine development, which you'll hear a little more about.

Thank you again, ladies and gentlemen. It's my pleasure to be here on behalf of Placer Dome to comment on this bill. First I'll give you a brief overview of Placer Dome Inc and Placer Dome Canada.

Placer Dome Inc is the world's sixth-largest gold mining company. Our core business is strengthened by the contributions of copper and silver assets.

Headquartered in Vancouver, Canada, Placer Dome has interests in 17 mines in seven countries around the world and our global workforce exceeds 13,000 employees. There's a map attached to your handout that shows that graphically. In 2004, Placer Dome expects to produce about 3.6 million ounces of gold and 400 million pounds of copper.

Placer Dome was formed in Vancouver, Canada, in 1987 by the amalgamation of Placer Development Ltd of Vancouver, Dome Mines Ltd and Campbell Red Lake Mines Ltd of Toronto.

Placer Dome Canada is a wholly owned subsidiary of Placer Dome Inc and is headquartered in Toronto, with three operating gold mines, all of which are situated in northern Ontario. We have the Campbell mine in Red Lake, Musselwhite north of Pickle Lake and the Porcupine joint venture in Timmins. Again, there's a map associated with your package that will guide you in that.

1430

Perhaps of interest to the committee and relevant to the intent of Bill 97, I will expand somewhat on the Musselwhite mine and the agreement that has been established with four nearby aboriginal communities and their associated First Nations councils. This agreement was originally negotiated and signed in 1992 and renewed in 2001. The mine started operations in 1997.

The Musselwhite agreement addresses matters such as employment and training for First Nations; business/contracting opportunities for First Nations; recognition of traditional cultural and economic activities such as trading, hunting, fishing, wild rice harvesting and trapping; committee structures that allow the parties to consult each other on issues of concern; prohibition of drug and alcohol at the mine site; recognition and protection of cultural heritage sites; joint consultation on environmental issues and studies; compensation for loss of traditional hunting and trapping activities—there's a formal trappers' agreement in place, in addition to the overarching Musselwhite agreement; and provision for revenue-sharing based on ounces produced and gold price.

To date, this agreement has resulted in: approximately 30% of the workforce being Native, out of a workforce of about 300 to 350 with approximately 120 of them aboriginal; approximately \$12 million per year to Native-owned and -operated businesses such as flying, catering, laundry services, commissary, janitorial and construction; ongoing provision of training to First Nations to increase employment eligibility both at the site and elsewhere; use of the mine site infrastructure by remote communities—our airstrip and all-weather road have provided enhanced access to a number of the communities nearby; and ongoing dialogue with First Nations, with a view to increasing their participation through other business development opportunities.

Getting back to Bill 97, I refer you to our position paper, which is attached in this package, and summarize by saying that Placer Dome applauds this initiative in principle and can agree that better ways must be found in developing and strengthening good relations with First Nations.

First Nations should share and benefit in the sustainable development of the abundant natural resources of Ontario. However, Placer Dome does not support Bill 97 as currently written as we feel it to be inequitable and unbalanced. It does not address or complement findings resulting from the Whitehorse mining initiative on aboriginal involvement in the mining industry, nor the recent aboriginal mining industry round table. There's a CD that accompanies the package that will enlighten us on the industry round table which was held in March of this year.

The Whitehorse mining initiative—I'm sorry, I neglected to include a copy; I have a copy here which I'll give to the Chair and I will gladly make copies available to the committee members—was done in 1992, I believe. The province of Ontario was part of that initiative and

had representation there. Then there's also quite a section on addressing aboriginal engagement in that initiative.

Under appendix 1, I have included Placer Dome's commitment to aboriginal people—and I will leave that to yourselves to read—which forms part of Placer Dome's sustainability charter. It is this document that has guided us in engaging aboriginal communities at the now closed Dona Lake mine near Pickle Lake and the present-day Musselwhite mine, as well as our ongoing exploration activities across Canada.

We wish to express our appreciation and recognition to the government, particularly the Ministry of Northern Development and Mines and the Ontario Native Affairs Secretariat, for the various initiatives they have undertaken on behalf of our industry in promoting better relations and understanding in native communities on how our industry works.

We respectfully submit for your consideration the following recommendations:

(1) Increase resources to enable MNDM to continue to strengthen current programs which are specific to addressing First Nation concerns as they relate to mining. Examples are prospector training courses, general knowledge workshops/seminars on mining and grassroots prospecting to mine development and operations.

(2) Continue to increase funding of geoscience programs, such as Operation Treasure Hunt and Discover Abitibi, but with an emphasis on the more northerly areas of the province. These programs should be designed, planned and carried out with meaningful participation of the communities.

(3) Raise the profile and strengthen resources to ONAS, the Ontario Native Affairs Secretariat, to continue to enhance current programs which build overall capacity within First Nation communities in terms of economic and business development—again, that greater effort in reaching into the more remote regions of the north.

(4) Promote a greater government presence in First Nations communities, particularly in the far north, to see and hear at first hand issues facing these communities. For example, the recent visits by various senior government officials and political leaders these past few months have been much appreciated by these communities.

(5) Investigate various planning mechanisms which would involve First Nations as key participants in any development proposed on their traditional lands. A fore-runner to this would be the Windigo and Shibogama interim planning boards, which operated for five years, from approximately 1993 to 1998, I guess. They were not renewed, although there was a commitment by the government of the day to look very seriously at renewing or having some facsimile of planning arrangements made, but that didn't happen.

(6) Develop a closer and more efficient protocol at the federal level—Indian and Northern Affairs Canada—in reaching solutions to First Nations issues.

In closing, I wish to thank the committee again for this opportunity and offer to work in support of finding better

ways toward building and strengthening a vibrant northern economy where First Nations can and should stand equal with the rest of society.

The Chair: You mentioned that you had another item there. If you provide it to the clerk, he will make copies for all members of the committee, if you wish.

We have about four minutes per caucus for questioning, and we'll begin with the government.

Mr Colle: In terms of prospects—no pun intended—for the gold mining industry, how does it look in terms of potential job growth and opportunities for resource development in gold?

Mr Seeley: We believe the whole northern part of the province is well endowed with mineralization. Our company in particular looks for gold. That's our primary commodity. We look very favourably on northwestern and northeastern Ontario for future mines.

Mr Colle: In terms of existing arrangements that you make in, say, training and job opportunities for First Nations people—we saw the video before—is there an existing program that your company partakes in as part of the mining industry, the mining association or yourself as an individual entity?

Mr Seeley: It's a mixed agenda of training. We use our own internal training facilities and mechanisms, and we train as needed and as required. We also work with the provincial training agencies such as the apprenticeship board.

The Chair: We'll move to the official opposition.

Mr Toby Barrett (Haldimand-Norfolk-Brant): In your brief you mention that the parent company, Placer Dome, has interests—17 mines—in seven countries. I'm just looking at the map: South America, Australia. Do any of those companies have any kind of similar negotiated agreements with aboriginal people in any of those other countries, or is the Ontario situation unique?

Mr Seeley: In Australia, at the Osborne mine, we have an aboriginal agreement, probably not as comprehensive as ours in Ontario. There is no other agreement of any formal structure in the other countries. It's more on an ad hoc basis.

Mr Barrett: Would that probably or possibly be the case with other mining corporations around the world?

Mr Seeley: I would suggest it's very similar, but I can't speak for them, of course.

The Chair: Mr Miller?

Mr Miller: Thank you for your presentation today. In your opinion, if Bill 97 was passed, would it hurt mining in Ontario in terms of the amount of activity going on?

Mr Seeley: The quick answer is that I believe it would. With all due respect, I think it's a very simple approach to a very complex problem. We need to put more thought and have more people involved in evolving some kind of process to involve First Nations.

1440

The Chair: Mr Bisson?

Mr Bisson: Just quickly, because I know Howard has a couple of questions, I guess my problem is that I've heard this debate many times before, as you well know.

If it was occupational health and safety, predictions were that industry would close if we went to the type of legislation we have today.

The Musselwhite agreement, quite frankly, was done with a lot of support from government working with Placer Dome toward getting to that. Again, some people said that if we did the Musselwhite agreement the project would never get off the ground.

Again, the good work you're doing on the environment and the closure of mines is because the government of Ontario passed legislation to make this stuff happen. At the time, we were told it would close down the industry.

I don't want to undermine and underplay what you're trying to say. On the other hand, if we don't deal with this issue, I think you well realize there's not going to be a lot of development because First Nations won't allow it.

With that, what do you suggest we do to get to some sort of revenue-sharing agreement so we can develop these mines?

Mr Seeley: I think that you have to remove a lot of the uncertainty that already exists, preventing developers from coming into the north. Most of it is centred on secure access to the land.

Those issues will not be resolved by this bill. They will only show the developer that he is going to incur additional costs going into this area, and the underlying fundamental issues that are out there are still going to be there.

I think we need to get government and First Nations together in a more meaningful, constructive dialogue to resolve some of those issues and to provide the level of comfort to the developer that they need to go ahead and invest.

Mr Howard Hampton (Kenora-Rainy River): Do you know, in current-day dollars, what the value of the gold that has been taken out of the Pickle Lake and Red Lake areas would be?

Mr Seeley: No, I don't. Sorry. I wouldn't have that.

Mr Hampton: Would you believe me if I told you that if the gold had been left in the ground at Pickle Lake and Red Lake, the worth in Red Lake would be roughly \$8.5 billion in today's dollars and the worth at Pickle Lake would be roughly \$1.3 billion?

Mr Seeley: It very well could be. I don't know. I don't know what the relevance of that is, though.

Mr Hampton: I asked legislative research to look at the numbers and then just take the value of gold today and do a quick conversion. That's a lot of money.

Mr Seeley: It is. But federally, in this country, we also put a lot of money into aboriginal communities. I think we have to put all the numbers on the table.

Mr Hampton: Nobody denies that the federal government spends a lot of money. There would be a lot of debate over whether they spend it well, but I don't think that's the concern right now.

I find it a little disturbing that when you do the calculation, you're talking about close to \$10 billion of

wealth. Admittedly, some of that has been taken out of the ground. We're now talking about an area that's larger than most European countries, which we know from all the exploration activity is heavily laden with valuable minerals, perhaps another \$10 billion. I find it hard to believe that we can't arrive at a formula whereby First Nations can share some of that revenue.

Mr Seeley: We would concur that if the concerned parties all sit down, they should be working out those issues and problems. But I don't think you can legislate a certain amount of money to the issue until you clearly understand the issue and then determine how you're best going to address all the complexities of that issue.

We're talking about 49 independent First Nations communities in the Treaty 9 area alone. Their traditional lands—some are endowed with mineralization; some are not. How are you going to allocate whatever value you're going to attribute to the resources?

I just think there's a lot of complexity to this issue that this bill doesn't address. It should not proceed in its present form until some of this stuff is sorted out and thought through.

Mr Hampton: So let me ask you a question: If First Nations come forward with a formula as to how this money should be divided up, would that take away one of your major objections?

Mr Seeley: Possibly, yes. I don't know. Certainly you'd have to see the formula and see how it impacts on all other interested parties.

The Chair: Thank you for your presentation this afternoon.

NORTH CARIBOU LAKE FIRST NATION

WINDIGO FIRST NATIONS COUNCIL

The Chair: The clerk has advised me that the Windigo First Nations Council is going to present with the North Caribou Lake First Nation simultaneously. So if you'd come forward. Please identify yourself for the purposes of Hansard, then you may begin.

Chief Zeb Kenequanash: I will be doing two presentations: one from the North Caribou First Nation and the other one from the Windigo First Nations Council.

For the record, my name is Chief Zeb Kenequanash. I'm the Chief of the North Caribou Lake First Nation in Weagamow.

Good afternoon to the members of the standing committee. Thank you for allowing me this opportunity to address this forum. My name is Zeb Kenequanash, and I'm the Chief of the North Caribou Lake First Nation, which is located approximately 400 kilometres north of Sioux Lookout. North Caribou Lake First Nation is extremely isolated and only accessible by air and periodically by winter road.

North Caribou Lake First Nation experiences diverse economic circumstances that range from chronic underdevelopment to successful development. The three levels of government—North Caribou Lake First Nation,

Ontario and Canada—are the driving force behind the existing flow of dollars to the community. The ability of a community to retain a portion of the injected dollars is minimal. This relates directly to the amount of business controlled by local people. Currently, the dollars that flow into the community—whether by employment, pensions, UI, welfare etc—leave the community quickly because there are no existing markets in which to spend money. In our community, the dollars have minimal effect because the business operations flow their dollars to headquarters outside of the community. The need to establish a private economic sector along with industry and government resource-sharing agreements is paramount to our community for sustainability.

The unique needs and circumstances of our community must be addressed in a way that will allow for appropriate response at the community level and for the resource activities by industries and by the Ontario and Canadian governments. The exploration for minerals by the mining industry has been a hub of activity recently by junior and major player mining companies near our community. One company recently even started to prospect on North Caribou Lake First Nation reserve boundaries without prior consultation with our people, which demonstrates that, in their quest for more resources, respect for our existence may not be considered.

One important mechanism that has been the norm in the development is that North Caribou Lake First Nation has been left out of the major benefits enjoyed by outside industry and government in the extraction of resources on or near our traditional lands. It is just recently that we have had a revenue-sharing agreement with a major company mining for gold near our community, but I am not convinced that my community receives equitable participation.

1450

While someone may collate the revenue-sharing dollars that my community receives and conclude that we get our share, I must bring up the fact that more than gold is extracted from this project. While this investor-driven activity continues to extract resources from our traditional lands, Canada and Ontario are also major beneficiaries of millions of dollars in taxes from goods and services: income taxes, land taxes and all taxes associated with any major economic project. We do not get any share from this tax base extracted from this major project.

When we approached the Canadian and Ontario governments for financial resources for projects that will ease welfare rolls by providing jobs, we were told that there are no resources. There are resources. We see them leave our territory every day. We need a share of those resources from industry and from the Ontario and Canadian governments for our sustainability.

The community is working toward the goal of economic sustainability; however, the ability to share the resources by industry, Canada and Ontario will be instrumental in addressing this issue.

Our ancestors and our elders have always taught that, upon negotiating and signing the treaties, the land and

resources would be shared fairly by all. Culturally, our people have carried on the tradition of friendship, and we have been a very generous people. We still carry on these teachings. We are not anti-development, but we need our needs and expectations met.

Without the proper resources, it is difficult to prepare and sustain a lobby effort while the bill is being debated. I hope that our political organizations, like the Nishnawbe Aski Nation, can intervene with tactics that will sway Ontario and Canadian processes in our favour.

I thank you for this opportunity to present my concerns in this forum.

I have as an attachment to this presentation, the North Caribou sustainability policy. I'll just go through it.

At the North Caribou Lake First Nation we value our people and our environment, and we commit to having working relationships with industry and the Ontario and Canadian governments which will achieve economic sustainability.

We commit to building partnerships based on mutual trust with our people, neighbouring communities, industry and the Ontario and Canadian governments that will respect our expectations and needs.

We commit to involve our community in all phases of any revenue-sharing agreements by community consultation and community approval.

We accept our corporate responsibility to make North Caribou Lake First Nation a place to do business with interested participants without compromising community wellness, security and our treaty and aboriginal rights.

We are committed to the integration of sustainable development with the best-practice standards of environmental protection of all activities on our traditional lands, from development to closure.

We commit to opportunities for resource developers to work on our homeland who understand why we have concerns on mineral exploration. These concerns include the impact on First Nations' traditional community practices: the spring and fall traditional hunt; summer fishing; and winter trapping, fishing and hunting.

We commit to opportunities for industry and the federal and provincial governments which understand that for extracting our resources we expect equitable-share compensation, employment and use of our services: stores, airlines and expertise.

We commit to revisiting all agreements with industry and the Ontario and Canadian governments to ensure that North Caribou Lake First Nation receives its fair share and equitable participation in all resources from mineral deposits, gravel and sand removal—aggregate—from its community, power devices for hydro, tourism operations, non-resident and resident hunting and fishing licences, prospecting fees and other economic spinoffs.

That is the presentation from the North Caribou.

Frank McKay cannot be here, but I'm taking his place and I'm going to be presenting his submission, Mr Chair.

Good afternoon, members of the Ontario standing committee on finance and economic affairs, elders, chiefs and community members who are here with us today. Frank McKay is the chairman of the Windigo First

Nations Council and a member of Sachigo Lake First Nation, Windigo First Nations Council services Bearskin Lake, Cat Lake, Koocheching, North Caribou Lake, Sachigo Lake, Slate Falls and Whitewater Lake First Nations located in northern Ontario. All are members of Treaty 9, as it may or may not have been explained already, covers two thirds of the land mass of the province of Ontario. Canada, First Nations and the province of Ontario are signatories and therefore treaty partners in Treaty 9.

Prior to signing the treaty, our people lived off the land. We had our own way of doing things, like land and harvesting management, our own political systems, and ways of ensuring the safety and protection of and justice for our people. Windigo First Nations, like the others across Treaty 9, has retained its first language to this day, both in written and spoken means. Despite the encroaching English language, our children and grandchildren will continue to speak our language and carry on our traditional and cultural practices that are inherent in our people and our relationship to the land.

Treaty 9 is unique, as it is the only treaty in Ontario where the provincial government is a signatory to the terms and conditions of the treaty. Our people entered into this treaty relationship with the government of Canada and the government of Ontario to share the resources for the benefit of all three parties. The treaty was never intended to be a tool to wrest control of resources from the First Nations people. This is a treaty partnership that still stands to this day, and we still seek fulfillment of the promises made to our people 100 years ago.

I am proud to stand before you today, the same as many of my colleagues who will make presentations before you, to state that we are partners and beneficiaries of Treaty 9. Our people have held the treaty as sacred for almost 100 years now and look forward to sharing in the benefits of our partnership and upholding the promises that were made. Bill 97, An Act respecting the sharing of resource revenues for First Nations, is a timely proposition as we are heading toward the 100-year commemoration of our treaty relationship in July of 2005.

Resource revenue-sharing is an important issue to First Nations communities. Over the course of your hearings I hope that you will listen to the voices of our people when we state that resource revenue-sharing represents hope for our elders, youth and future generations. First Nations communities require an economic base that will bring forward an improved quality of life for all our members.

One hundred years of partnership show that it is time for our people to work together. The discussions of revenue-sharing by all three levels of government demonstrate that there is a need to recognize that the resources must be shared by all three partners. We are encouraged by these discussions in the provincial Legislature, and we encourage the provincial Liberal government to support and move forward on this bill.

We need a mechanism to negotiate how resource revenue-sharing will take place in Ontario. The provincial government has committed to working with First

Nations on economic development, and Bill 97 is one way to show the willingness to work together and move forward on addressing the living conditions in the north.

1500

If you look at the municipal structure in Ontario, you can see that the driving force behind economic development is based on natural resources. With the work and business opportunities that are presented with resource development, a community can thrive and provide employment and greater infrastructure to their communities. It is only a natural force of economics, and northern Ontario is ripe for development that will benefit your children and mine.

By working together, the Ontario government and the First Nations can build a better future for all our people and provide certainty to industry. We need economic development. We need employment. The chiefs of Windigo First Nations, our community members and our youth demand it.

The province of Ontario needs power, and we will need to be a part of the discussions. We want more than just jobs, and as First Nations we want to be involved, like any other partner.

I realize that this is the second attempt to bring such a bill into law. It is an important proposition for good relations, and passage of this bill will let us get on with the business of developing our resources and communities. I will support the Ontario Liberal government in moving forward on this bill, just the same as I support all Ontarians in having a good quality of life, employment and prosperity.

Dismal futures and the lack of opportunity can weigh heavily on a people. The people of Windigo are interested in moving forward, and look forward to exploring positive, fair and equal opportunities with the province of Ontario. Sharing in the economic benefits of resource development in Ontario is long overdue for First Nations, and this issue will become more critical as the push to access resources in our traditional territory continues. Our grandfathers have said for years that the people will be coming north, and we see it happening today.

In closing, I wish to thank you for this opportunity to present our support on this issue. The First Nations of Windigo will be watching intently the outcome of this bill. Frank McKay, council chairman.

The Chair: Thank you for both presentations. We only have time for questioning from one caucus, about two or three minutes. In this rotation, it will go to the official opposition.

Mr Miller: Thank you, Chief Kenequanash, for making the two presentations today. In your presentation, you say that economic sustainability is one of your key goals.

Chief Kenequanash: Yes.

Mr Miller: I'm sure that must be especially to deal with the unemployment rate of your First Nations. What is the unemployment rate?

Chief Kenequanash: Most of our people have been working at the nearest mine site at Musselwhite. It is, fair to say, about 87% or 88%, our unemployment.

Mr Miller: I guess that is my question. How far away is the Musselwhite mine from you?

Chief Kenequanash: It's about 45 or 50 miles due east of us.

Mr Miller: It's close, by northern standards.

Chief Kenequanash: It's pretty close, yes.

Mr Miller: My question is, obviously the Musselwhite project is providing some jobs, but what do you see in the long-term future to create all the jobs to deal with that 85% unemployment?

Chief Kenequanash: We are in the process of developing some form of training, a program that would target the young people. One of the things that Placer Dome Canada has put on the table is that they start at a minimum grade level. The minimum grade level now is grade 12. Most of our young people are below grade 12, so what we're trying to do is develop some kind of upgrading system for them, and then hopefully they will get into the apprenticeship and hopefully some day one of them will be my manager.

Mr Miller: That sounds like a very valid goal.

The Chair: Thank you for your presentation this afternoon.

PIKANGIKUM FIRST NATION

The Chair: I will call on the Pikangikum First Nation. Did I said that very badly? I apologize. Good afternoon. You have 20 minutes for your presentation. You might leave time for questioning within that 20 minutes if you so wish. I would ask you to identify yourself for the purposes of our recording Hansard.

Chief Alex Peters: *Remarks in Oji-Cree.*

My name is Alex Peters, according to Indian Affairs. I was elected chief of the people of Pikangikum just recently. I'd like to thank you people for giving us the opportunity to make this presentation. I'll just read this presentation; it's easier, I guess.

Good afternoon. I'm happy to be here to represent my community, especially the capacity of our First Nation, which is our elders.

Some of you may have heard about the Whitefeather Forest Initiative. This is one of the most important and significant economic development initiatives Pikangikum First Nation has ever undertaken. Through the Whitefeather Forest Initiative we are working toward realizing new business opportunities for our youth, especially protected areas and forestry opportunities. We are seeking forest management tenure and we have a commitment from the province on this. Upon the successful completion of our planning tasks, the commitment of Ontario is to issue forest management tenure to us. This will support significant new tribal enterprise development led by our First Nation. It will facilitate partnerships led by First Nation people.

In the Whitefeather Forest Initiative, we mean business. We're not fooling around. We are dead serious about our initiative. We are pursuing it relentlessly. Our Whitefeather Forest Initiative is about business: economic development through tribal enterprise for my

people. The development of our initiative is also the most serious economic development business we have right now. Our work will have an impact for generations to come. It will support the creation of hundreds of jobs. The resources of our traditional territories are supporting it, resources that our people have taken care of for generations. That is why our elders are guiding every aspect of the initiative.

I like to use words with double meanings. When I was asked by one of my technicians about making a hotel reservation for travel, I said I already had a reservation, and one reservation is enough.

We are looking outward to our traditional territories to support our economic renewal.

1510

What does our Whitefeather Forest Initiative have to do with resource revenue-sharing? Let me tell you how it relates to revenue-sharing and the place that revenue-sharing has in our strategy.

For years, our elders said no to economic development. They wanted no part of it. In fact, all Pikangikum people wanted no part of it. Why? We saw how resources to the south of us were being stripped from First Nations lands. We rejected this. We rejected it for critical reasons: (1) the way in which resources were being harvested—we have been given a prophecy about this that we call the checkerboard prophecy; and (2) the benefits that were going to First Nations people—none. No benefits were going to the First Nations people of this land.

The way resources have been taken out of our lands goes against our teachings and values that guide how we are to take care of the land. These harvesting and extraction practices go against many of our values of taking care of the land at Pikangikum. It is against central teachings of our culture.

Furthermore, none of the benefits from resources being taken out of ancestral First Nation territories by non-native people have come back to First Nation people, other than through welfare after 1966. This is why new economic development was rejected by our elders right through the 1970s and even into the early 1980s. Our former chief, Ben Quill, turned away forestry companies.

Our elders have always known the value of our land. Part of the prophecy that foretold what would happen to our lands is that in time everything on the land would have a money value put on it by the white man. Everywhere you looked—trees, berries, rocks, water—everything would have a money value. Our elders understood that everything on our lands was valuable. The prophecy was correct. Everything on the land and even under the ground has a money value now. We were told this would happen. It would be like looking around the forest and seeing money everywhere.

Our elders taught us this prophecy to guide us in how we could respond to what the white man would do to our land if something was not done. We were to deal with this. This is a critical part of our strategy for the Whitefeather Forest Initiative. This prophecy speaks to an important reason why we are fearful about resource revenues. They were invented by the white man. As our

elder George B. Strang has said, "It is the culture of the white man to want to control everything from one place." This is not our way. Our way is to give most respect to knowledge and experience gained directly from the land. This is our most important resource for guiding how to take care of the land.

We recommend that resource revenues support our ways of gaining knowledge of the land and using this knowledge to take care of resources.

In the past, resource revenues were derived from non-Native governments charging non-Native companies for extracting resources—that is, outside businesses would come into our lands, harvesting resources, including visiting parks—and pay money to the crown for the right to do so; in our case the crown in right of Ontario. If the government gets money when resources are harvested, there is an incentive to allow more and more harvesting. Governments always need money.

We recommend that a priority use of resource revenues, including in any sharing agreement, be for caring for the land by First Nation people.

This is the history of crown dues: non-native governments getting money from the land as it was opened up. Now, of course, the idea of conservation has become important. It provides a brake on simply developing everything. We want this to be a priority in the future. But our approach is different from how non-native people see conservation being achieved. We have a different path. Economic development is OK, but—and this is a big but, no offence—the land, as it was given to us by the Creator, is to be sustained and cared for as it was made, where everything fits together most wonderfully, as our Elder Whitehead Moose says.

A century ago, resource revenues were how Ontario sourced most of its government funds. First Nation people got nothing of this. This pushed the checkerboard, which is land use that is not a part of our culture, ever further north. This has caused us great anxiety. But we know now that resource revenues are only a fraction of the money Ontario takes in and they are declining each year as a percentage of provincial revenue.

Resource revenues are still important. They can be a useful tool for First Nations. At Pikangikum, our elders want to find ways to finance resource management that embrace our First Nation values and teachings. Resource revenues could help this. But Pikangikum people do not want resource revenues to become a new form of beads—giving First Nations what is left over. We want to be in the business driver's seat in resource use on our traditional territories. This is where most of the economic value of resources is today.

We recommend that a priority commitment to supporting First Nations leading resource-based business development be supported by a resource revenue agreement.

The way of Pikangikum people on our traditional territories is very different—even today—from that of Ontario. It is true that the province now seeks to balance conservation and development, but we have our own

values and teachings guiding resource use and conservation and they need to be honoured.

We are not afraid of development—we helped build Canada through our central role in the fur trade—but we want to take care of our land, in co-operation with non-native governments, on the basis of respect and working together.

We are not afraid of new land uses, but in our traditional territories we are the only year-round residents. We must be in the driver's seat in resource-based enterprise development in our territories. So we need a special partnership with Ontario.

Fortunately, the province is hearing us and is working co-operatively with us on the Whitefeather Forest Initiative supported by its Northern Boreal Initiative policy.

1520

Let me describe our approach to resource use. Then it will be easier to see how a new arrangement for resource revenues might be developed to fit into it. In our approach to resource use, (1) protection of the land rooted in local knowledge comes first, and (2) economic well-being flows from protecting and caring for the land as taught to us by our ancestors.

What does protection mean to us? Here is how we state it in our protected areas accord that we have with our sister First Nations to the west of us in Manitoba, those being the Poplar River First Nation, the Little Grand Rapids First Nation and the Pauingassi First Nation. This is the accord that we made:

"The Creator made the lands on which we live and everything living and non-living on those lands. Nothing on the land can be sustained without the Creator. The Creator placed us on our land. We have been given the very life we possess, as well as our First Nation way of life, as a precious gift from the Creator. The Creator has given us the responsibility to protect and care for the lands on which we were placed. As First Nations people, we are to take care of our land and nurture everything that the Creator has given us as a trust and duty to future generations of our people."

In our Whitefeather Forest Initiative, our elders have told us that they do not want checkerboarding of the land through things like tree plantations. Plantations come from agriculture, and for us, the forest is most important.

We can do forestry, but we want our values to be a critical guide in how it is done. We want our forests to continue as a gift that was given to us. We want to guide our own forestry in partnership with non-native governments so that the gift of the forest we have received from the Creator can be sustained.

We like the idea of the sustained forest of the Menominee people, keeping this gift from the Creator. This is a spiritual mandate. This is part of our culture. It speaks to how our First Nation vision of sustainable forestry will be implemented.

We recommend that through any revenue-sharing, Ontario should commit to working with First Nations in a manner that is in keeping with our culture so that we can sustain our forests and other resources in accordance with our teachings and values, consistent with our way of life.

Resource revenues can help fulfill this purpose. If we can help our forests in accordance with our teachings, we will be able to achieve our economic self-sufficiency and contribute to the larger economy.

There is a unique opportunity in relation to resource revenues and resource development in far northern Ontario where we live and where we are the only year-round residents. Development from the outside has not yet come here in a big way. A unique opportunity can be seized to show how First Nation cultural survival can be achieved and how our northern forest homelands can be sustained. If we seize it, this opportunity will also help support the creation of genuine partnerships between First Nations and Ontario where extensive resource development has already taken place.

If something is to come out of the proposed legislation to make a deal to share resource revenues, the deal must respect our First Nation way of life, our values for sustaining our land and true co-operation between First Nation and non-native societies.

Meegwetch.

We also have an excerpt from our Whitefeather Forest Initiative. These are created in our community. We have it in syllabics, for those of you who can read syllabics, and in English.

The Chair: Thank you for your presentation. We have time for one quick question, and in the rotation it goes to the NDP.

Mr Hampton: Thank you for the presentation. It gets better every time.

I think everyone recognizes the Whitefeather Forest, as it has proceeded so far, as quite an achievement. How did your First Nation get the Ontario Ministry of Natural Resources to make the commitments it has made so far? I know this didn't happen overnight. It didn't happen over one year or even three years. Can you tell us a bit about the history and how long it has taken?

Mr Peters: Do you want me to answer that in English or Ojibwa?

Mr Hampton: We're limited in our skills and abilities, so you'd better do it in English.

Mr Peters: I think MNR saw that they needed to work with us on this initiative or they were going nowhere with the policies they had in place. So they accepted our proposal. They recommended to us that if we wanted to do forestry we should start right away. That was way back in 1996. From there on, it has been a good working relationship with the Ministry of Natural Resources.

Mr Hampton: So this has been eight or nine years in the making?

Mr Peters: Yes.

The Chair: Thank you for your presentation this afternoon.

Mr Peters: Thank you. Meegwetch.

NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION

The Chair: I would call on the Northwestern Ontario Municipal Association to come forward, please. Good

afternoon. You have 20 minutes for your presentation. You may leave time for questions within that time period if you wish.

Mr Brian Larson: I hope to get us back on schedule, so my comments are brief. My name is Brian Larson. I'm the second vice-president of the Northwestern Ontario Municipal Association. Good afternoon, and thank you for allowing the Northwestern Ontario Municipal Association the opportunity to present our thoughts and views on Bill 97.

The Northwestern Ontario Municipal Association represents 34 municipalities from White River to the Manitoba border. In this region, there are nine pulp and paper mills, about 20 sawmills, four specialty mills—that's pressboard and strand board—and six operating mines.

The Northwestern Ontario Municipal Association fully supports and recognizes the need for industry and for federal, provincial and municipal governments alike to engage the First Nations of Ontario in promoting social and economic improvements in their communities as it relates to natural resource extraction.

At face value, Bill 97, as written, does not appear to answer many of the basic needs of the First Nations and the First Nations communities. It appears that the First Nations have not been consulted or asked for their input into this legislation. There clearly needs to be dialogue between First Nations industry and the three levels of government. A requirement for fairness and balance needs to be struck between all the stakeholders for this type of legislation to be successful.

The bill only speaks of revenue-sharing. The need for sustainable development and increased capacity in the communities where the resources are being extracted must be considered first and foremost. For this type of legislation to do the job, it must embrace the need for development of sustainable infrastructure in many of the remote communities. We have seen too many communities flounder and struggle once the resource has been extracted. The need for the host communities to build capacity and be self-reliant is paramount. To just rely on financial commitments from resource companies or government would be doing First Nations communities a disservice.

There seems to be a magic line called the French River, and only those aboriginals and aboriginal communities north of it are considered in this bill. What happened to the rest of the aboriginal communities to the south of this imaginary and arbitrary line? Should not all aboriginal people in the province of Ontario be treated equally?

How is Bill 97 going to treat aboriginals in less resource-rich lands? Will there be an equalization formula or plan? What type of dispute mechanism will there be when there is an overlap of traditional lands or more than one community is benefiting?

In the case of an arbitration, is the arbitrator's decision for the life of the project? Is the arbitrated deal final? What happens if both parties don't like the imposed

settlement? Will this have a negative impact on resource development, and will this type of legislation make resource companies think twice about investing in Ontario?

1530

Will Bill 97 cover tourism, hydroelectric power generation and transmission, gas pipelines and highways? What about fresh water for drinking? Shoal Lake feeds the city of Winnipeg. Is that not a natural resource? The definition of "resource" is not just limited to wood harvesting and mineral extraction. We must consider all aboriginals and all natural resources in this process if Bill 97 is going to be all-inclusive.

The municipalities that are represented by NOMA want to stress that if this bill is passed in its present form, it will only add to the uncertainty surrounding aboriginal issues and resource development in northwestern Ontario. This cannot be an additional tax on the resource companies. The money must come from the share of the taxes the province already collects. This bill must not further increase the costs to resource companies doing business in the north and to those resource development companies who want to do business in northern Ontario.

NOMA agrees that there is a need for balance and fairness. Bill 97, as written, falls short of that goal.

The Chair: We have about five minutes per caucus, and we begin with the government.

Mr Colle: Just a question in terms of the position of NOMA. You're basically saying that there are many unanswered questions in terms of the different impacts that this revenue-sharing would have. How would you, for instance, deal with the issue of revenue generated from tourism? What happens right now with tourism revenues?

Mr Larson: As far as I know, some of these tourist camps are outside municipal boundaries, so they're in a very nice tax situation with very little municipal tax collected from them. It's basically a cash cow. There's no money going back to the government other than fishing licences and hunting licences.

Mr Colle: Plus you have the provincial land tax again, which hasn't been updated in 50 years.

Mr Larson: Since 1942, I think.

Mr Colle: Yes. There is obviously a need, from the presentations, to take care of the appalling conditions that many of our First Nations people find themselves in. I guess what you're saying is, "As you try and address those needs, ensure that the pressures that existing municipalities have aren't further eroded and augmented by some kind of new revenue-sharing arrangement."

Mr Larson: I'd like to see more sharing. I'd like to see more of the tax dollars that go south stay in the north and help out in some of the First Nations communities. Put in good roads. Let's put in hydroelectric power. Most of these northern communities rely on diesel-generated power. Until you get some access to the northern communities, they're going to rely on that forever.

Mr Colle: Is there wind power or biomass energy potential?

Mr Larson: There have been wind power discussions with a couple of the First Nations groups; that's just leading-edge right now. That is an option, but at the end of the day that's very expensive power to generate. It's probably easier and quicker—

Mr Colle: Very capital-intensive.

Mr Larson: Yes.

The Chair: We'll move to the official opposition.

Mr Miller: Thank you, Mr Lawson, for coming in today and making your presentation. I gather you feel that this bill would add to the uncertainty and would increase costs for resource companies in northern Ontario, so you see more negatives and have more questions at this time than positives from it.

Mr Larson: That's correct.

Mr Miller: There have been representatives of First Nations here talking about the terrible living conditions, the 85% unemployment on the First Nations. The goal seems to be, in many cases, self-sufficiency. What do you think has to be done, if this isn't the answer, to give First Nations the tools to be self-sufficient?

Mr Larson: Give them the opportunity to participate in some of this industry. I'm from Red Lake, and I see a pile of wood going down the road from 60 kilometres north of Red Lake to Nipigon and Thunder Bay, from Fort Frances to Dryden. Why not put a sawmill up on the northern road, north of Sioux Lookout, north of Red Lake?

Mr Miller: You mentioned roads. Do you think that's the kind of thing the province should be doing?

Mr Larson: For those First Nations communities, I know the Northern Chiefs Council is very keen on realigning the winter roads and putting all-season roads in. I think it's about time we welcomed the 8,000 people in the northern communities to Ontario.

Mr Miller: That's a very good point. You make a very good point about this bill ending at the French River, seeing as the riding I happen to represent starts at the French River at Parry Sound-Muskoka and has seven First Nations within the electoral boundaries of Parry Sound-Muskoka. That certainly is a very good point. Many of the other questions you raised are good questions as well.

The Chair: We'll move to the NDP and Mr Bisson.

Mr Bisson: There are a couple of things I want to say, and after that I have a question.

First of all, the bill intentionally does not deal with all the other issues that you and other people have raised around training and other issues related to this issue because, as you well know, it's a pretty complicated thing. Trying to pass one bill that deals with everything—it never would have seen the light of day through the Legislature. That is why we decided, strategically, that we'd only deal with one issue: revenue-sharing.

All this bill does is create a table by which you can try to define what revenue-sharing should be. I just want to make that clear. I fail to see how that is going to negatively impact the economy of northern Ontario.

Let me propose this to you: In your presentation, as I understood it, you say that if we do get revenue-sharing, revenue-sharing should only apply to the taxes collected by the province of Ontario.

Mr Larson: Mining tax—

Mr Bisson: OK, so we should do that only to municipalities across the north? What do you have to say about that? No municipal assessment. If we had a similar rule for non-native communities, to only have a law that allows us to share in the mining tax and other provincial taxes that we collect from mining and forestry operations in northern Ontario, shouldn't we therefore make the same rule for non-native communities so we can't have municipal assessment? What would your association say about that?

Mr Larson: I don't think this is about assessment in the municipalities.

Mr Bisson: It's exactly what the issue is.

Mr Larson: No, it's not. This is about revenue-sharing—

Mr Bisson: I want to clarify it.

Mr Larson: —on resources that are taken from northern Ontario. More than half of those tax dollars end up in southern Ontario. Let's keep them in northern Ontario, where they belong.

Mr Hampton: You guys are actually agreeing with one another.

Mr Bisson: But I want to make the point, because what people don't recognize in this whole debate—my community and your communities that you represent, which are non-native, have greatly benefited from mining and forestry. We all agree that we need—

Mr Larson: No regrets.

Mr Bisson: Nobody argues. But there is an ability for municipalities to get revenue—we call it municipal tax assessment—to build their communities. Why wouldn't we try to find some sort of mechanism for First Nations so they can enjoy what our communities already take for granted? I can't believe that your association would be unwilling to allow them to enter into a process that allows them to do what you basically do as a right.

Mr Larson: We support the revenue-sharing but we don't want to see additional taxes put on these companies or corporations that are coming in to develop.

Mr Bisson: My specific question is this: If we came to an agreement which allowed First Nations to get, where there are no municipal taxes charged, an equivalent value of what would be charged by municipal taxes, would you support that? In other words, the development happens in Attawapiskat. There is no municipal assessment.

Mr Larson: That's correct. That would be great. That would help that community.

Mr Bisson: Now we do agree.

Mr Larson: Can I have one question? Why is this legislation from the French River north?

Mr Bisson: It is a very good point, and it's one of a lot of debates we've had with the people who actually did the drafting of the legislation. I'm open to any amendment. If that's one that people want, I'm fine with it.

Mr Hampton: Can I offer just a short explanation, as a former Minister of Natural Resources? Down south, things are really complicated. You've seen some of the complications of doing this north of the French River. It would become even more complicated to do it south of the French River.

I just want to ask you a question about hydroelectric development. I see in today's Winnipeg Free Press that there are two new power dams being projected in Manitoba. It looks as if the Cree First Nations that are close to one dam will be one-third partners in the project and one-third partners in the revenue that comes from that. In one of the other projects, the Cree First Nations that will be near the dam will be one-quarter partners in the project and one-quarter partners in the revenue-sharing.

The great irony is that most of this power will likely come to Ontario. So if Ontario is potentially prepared to buy power from a province where revenue-sharing is being written into the agreement—right now it's before the environmental assessment board in Manitoba—why wouldn't Ontario want to do the same thing here?

Mr Larson: Good question.

The Chair: Thank you for your presentation.

1540

BUCHANAN FOREST PRODUCTS INC

The Chair: Will Buchanan Forest Products please come forward. Good afternoon. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you wish. I'd ask you to state your name for the purposes of Hansard.

Mr Hartley Multamaki: Thank you very much. I'll try to keep my comments to 10 minutes and leave 10 minutes for questions. I'm Hartley Multamaki, vice-president of planning and development for the Buchanan Group of Companies. The Buchanan Group of Companies eight relatively large sawmills across northern Ontario.

Mr Hampton: And northeastern Ontario.

Mr Multamaki: Yes, we've been accused of that, certainly.

Mr Hampton: Well, you are the biggest lumber concern, aren't you?

Mr Multamaki: I think that's correct. In fact, we're a very active corporation in northern Ontario. Our head office is in downtown Thunder Bay. We have sub-offices throughout most of the small communities in northern Ontario, one of them being here in Sioux Lookout, with local mills in a number of single-industry towns. We're actually responsible for managing seven sustainable forest licences and we supply a combination of logs and raw fibre to at least nine sawmills, eight pulp and paper mills, a number of panel board mills and other organizations.

As a bit of background, it's important for this group to understand the makeup of the forest products industry in northern Ontario. In the past, a number of years ago, it tended to be single, large corporate entities that held the

licences and did the work through an employee-based workforce. That has changed significantly. The industry as a whole is very integrated now between the various forest management companies, the sawmill facilities, the panel board facilities and the pulp and paper mills. There is a very close integration between them. We now rely very extensively on small- and medium-sized businesses to support the businesses that we're presently in. For example, there are a number of instances where you have very small individuals, who are independent business people, who are operating on the crown resource. They are doing things like taking gravel and building roads. They're harvesting wood and sorting it for everything from firewood to veneer logs. All of these businesses, as I understand it, would be subject to Bill 97 and would be in a position of negotiating with the local First Nation or First Nations adjacent to where they are extracting these various resources. They're also in other ancillary businesses like setting up camps and using water. There are a whole number of things that go on that Bill 97, I expect, intends to pick up if they can.

It's important to understand too that not only for the larger SFL holders but a number of these small businesses it's inappropriate for these businesses to be placed in the position where they're negotiating agreements that are very clearly in the purview of the province of Ontario. We would very quickly end up in the area of negotiating treaty rights and aboriginal rights. From our perspective, that's completely inappropriate. We simply don't have the experience, the tools or the right to be negotiating on behalf of the people of Ontario. I think it's a situation where in a lot of cases, even with the larger corporations, we simply don't have the ability to negotiate the types of agreements that are contemplated in this legislation.

I think the other side of it is that we're very dependent on a wide range of government approvals, licences and permits when we do business. Just about everything that's done in the forest is highly regulated by a number of ministries, not only the Ministry of Natural Resources, but also the Ministry of Health. I think the last time we looked, there were something like 30 agencies that were involved in permitting for various parts of forestry operations. It becomes very complex. As I pointed out earlier, it's inappropriate for a forest products company to be placed in a situation where it has to negotiate with one or more First Nations, and the issue with getting timely permit approvals and permits on time to do business would be compounded. On top of all the permitting issues that are out there right now, I don't see how you could also negotiate with local First Nations and still expect to be able to do business in a reasonable fashion.

I guess the other concern we would have is the same as has already been brought forward, which is why it applies to only that area north of the French River. I heard the previous speakers ask that question. It was one of the questions we obviously had. Obviously, our competitors in southern Ontario will not be facing this issue. That concerns us. I think it also brings into question the

whole issue of whether Bill 97 actually implies that the ownership of the land, water, minerals and wildlife is in question. If it is in question, I guess it becomes a question of: Should we be paying the province of Ontario for these resources or paying the First Nations? I'll leave you with that thought, and I will take any questions.

The Chair: We have about four minutes per caucus, and we begin this time with the official opposition.

Mr Miller: Thank you for coming in and making your presentation. I gather that you feel it's not appropriate that your company should negotiate resource revenue-sharing agreements directly with First Nations. Do you have any impact and benefit agreements with First Nations at this point? We had a presentation from Placer Dome, and they went into a bit of detail to do with the mining agreement with the Musselwhite mine. In terms of the forestry you're doing right now, do you have any?

Mr Multamaki: Absolutely. We have a significant number of agreements that are already in place with various First Nations. For example, we have one sawmill that has 85% aboriginal employment. I think it's probably the highest organization with First Nations individuals. The Buchanan Group of Companies, quite frankly, is probably the highest private organization with respect to native involvement and employment. I don't think that's been disputed, although, like I said, I don't have the facts and figures from other corporations. We're very active in working with the First Nations, developing very beneficial win-win situations with them.

We have agreements that we put in effect on some of the new mills and woodland operations. In fact, I think we have one previous minister who was responsible for a new sawmill and sawmills that were put in the northern part of the province, and it involved very active native negotiation. It was win-win for both the company and the First Nations.

So there's a lot of activity that is happening out there right now between corporations and the First Nations. But I think you have to understand that it's also a long-term commitment that takes time to develop the expertise, skills and infrastructure required to deliver on it.

1550

Mr Miller: I also take note of your point about why it is only north of the French River. My riding ends at the French River, so I have to make that point. I guess from your perspective, though, you see that Bill 97 could be an additional cost of doing business. If you're operating in the north and you have this additional cost, it wouldn't be fair that companies in the south wouldn't have this additional cost; is that correct?

Mr Multamaki: I think I would be pretty foolish to sit here and think this is going to be free. When you look at revenue-sharing, the question becomes: Is the government prepared to share the stumpage revenue, which, quite frankly, is a huge cost for the industry? In addition to that, I'd also point out that industry right now bears the lion's share of the cost of managing the forests of Ontario on behalf of the people of Ontario. It seems to me that the government has come to this trough several

times and has always gone away with industry paying more. Can we afford more? I don't think so.

Mr Miller: It sounds like you have a legitimate concern.

Mr Multamaki: Absolutely.

The Chair: We'll move to the NDP.

Mr Bisson: I take your point in your presentation where you're saying you're worried what it would mean to all the ancillary businesses that you work with.

The initial intent of this is not to deal with that; it's to deal with the overall issue of revenue-sharing of the resource. How that's done may be a combination of things, and that's why we didn't define it in the legislation. That's what the negotiating table is all about. Should it be part of current Ontario provincial taxation, such as stumpage? It could be; I don't know. In cases where there is no municipal assessment charge because no municipality exists, is that where you take up some of the room? I don't know. Those are the issues that basically need to be dealt with at the table. Again, I want to repeat that all this does is set up a table at which you can discuss this.

So my question is this: In the end, your industry, forestry, as well as mining, has all kinds of examples. The word we hear from the ministries is that you're frustrated at times at the inability to be able to move projects forward because of, as they see it, First Nations communities opposing the development. Obviously, one of the reasons they oppose it is there's nothing in it for them. As some of the presenters have said, why should they support it? If we could deal with this issue in a comprehensive way that clearly identifies what the share is, at the end of the day, don't you see that as a positive thing for your industry and others?

Mr Multamaki: I don't think there's any question, from the industry side, that we have no problem paying our fair share of what the resource is worth. I don't think anybody is questioning that. You have to understand as well that a large number of our employees are from those First Nations and that's their home.

I think the other point that needs to come forward is that the arrangement that's out there right now doesn't preclude any of these things. I would point very clearly, for example, to the new sawmill that's at the Fort William First Nation. They collect the equivalent of taxes from that sawmill. That's done under the present situation. Bill 97 didn't exist when that took place. The mill at Opatatika has been on the reserve for 30 or 40 years, and they pay the equivalent of taxes.

Mr Bisson: Not Opatatika, Constance Lake.

Mr Multamaki: Constance Lake, OK.

Mr Bisson: They pay far less than they would for municipal assessment, believe me.

Mr Multamaki: It depends on the municipality, I guess. I could argue convincingly that there are some locations where our mill assessments are different and substantially higher or lower.

Mr Bisson: But my question is, if you could deal with this issue in a comprehensive way, at the end of the day,

doesn't that help you and others develop the resources creating the investment opportunities and jobs in the north? Yes or no?

Mr Multamaki: I think it does. The key, of course, is that the appropriate method is dealt with, and to place corporations in the situation of negotiating treaty rights is not, in my view, the right thing to do.

Mr Bisson: And that's the problem currently. That's what we're trying to deal with.

Mr Hampton: What I think I hear you saying is that the proper way to deal with this is on a government-to-government basis, that the province of Ontario should be at the table working with First Nations to develop a comprehensive way of doing this. It would actually aid the forest industry if that were done.

Mr Multamaki: Yes, absolutely. I think that fundamentally is the issue. The reason they're called First Nations is because they need to be dealt with at a First Nations' level or a government level. I think it's inappropriate for corporations to be taking over the responsibility of the province of Ontario. When you get into fundamental issues like taxation, taxation and the delivery of services are key components or fundamentals of government. If you provide that to corporations, it's completely inappropriate.

Mr Hampton: I have a letter from the head of De Beers Canada. I think he makes almost exactly the same point. He wants to see this kind of comprehensive agreement. He's simply saying, "As a corporation, we're not equipped to do this. This is a role for government."

Mr Multamaki: We draw the line at business-to-business relationships. Once the rules are set out, everybody agrees to them, and a corporation comes in to do business, I don't think there's any of us who have any problem doing arrangements or business-to-business relationships with the First Nations. In fact, very clearly, our organization sees the First Nations as being a key player in the future. We have labour shortages out there. The First Nations are a key to dealing with some of those labour shortages that are occurring in the north, particularly when you're looking at resource industries.

The Chair: We'll move to the government.

Mr Colle: I just have one question. I guess there has been a confusion here. I just want to make sure we're all saying the same thing. This bill is saying that companies like yourself should negotiate with First Nations. That's what the First Nations people have said: They want face-to-face negotiation. Is that not what this bill is saying?

Mr Multamaki: No.

Mr Colle: So how is it different then?

Mr Multamaki: Not where it involves things that are treaty rights, aboriginal rights or fundamental government-to-government-level negotiations. I have no problem negotiating with a First Nation on something like a labour agreement or something like a contract for services or a training agreement: "We will train so many of your people to do such and such piece of work. We will train your people to become entrepreneurs and own their own pieces of equipment. We will negotiate an agree-

ment whereby we buy supplies and services. We negotiate an agreement whereby you will build roads for us." We negotiate agreements where we buy wood from the First Nations, who sell it from their reserves.

Mr Colle: To just pass it over to my colleague—in other words, you're saying you don't need this bill; you already do that.

Mr Multamaki: We do lots of that.

Mr Colle: Already.

Mr Multamaki: Right.

Mr Colle: So how would this bill help you then?

Mr Multamaki: I don't see it helping us at all. Fundamentally, if the government is suggesting that they will share the stumpage that they already collect, you can do that anyway. You don't need me here to tell you how to do that.

Mrs Carol Mitchell (Huron-Bruce): That's where my question was going to go as well. What I'm trying to get an understanding of, what I'm hearing today is that you have agreements in place, whether or not they're formalized through contract or whatever. Since I don't have a full understanding of your relationship with the First Nations, could you give me an example of what you have in place through formalized agreements right now that are existing so that I can better understand?

Mr Multamaki: Sure. We have agreements with a variety of First Nations, both independent First Nations business people and the First Nations economic development corporations for things like training. Probably one of the most interesting is the Longlac sawmill, where it's 85% aboriginal. The community itself does the pre-employment training and has the contract for providing work-ready individuals from the First Nations for that mill. Like I said, it's about 85% aboriginal employees from across northern Ontario.

Mrs Mitchell: This continues down the length of the forest product being withdrawn from the land? How does it work? Is there a shelf life? Just so I have an understanding.

Mr Multamaki: No, it's in perpetuity. We operate off of sustainable forest licences that provide wood volumes in perpetuity. They fluctuate in amounts, but they're operated on a sustainable basis. The mills that are associated with those sustainable forest licences will be operating in perpetuity, unless there's some business decision that happens, that owners go bankrupt or sell the mill.

The Chair: Thank you for your presentation.

Mr Multamaki: Thank you very much. I appreciate your time.

1600

DAVID BOILEAU

The Chair: David Boileau, you have 20 minutes for your presentation. You might allow time within those 20 minutes, if you wish, for questions, and I would ask you to state your name for the purposes of our recording Hansard.

Mr David Boileau: My name is David Boileau. Thank you, Mr Chairman and committee members, for providing me an opportunity to present to the committee today.

Briefly, I'm a resident of Atikokan. In the package that I've handed out, there's a CV which contains a little bit more detail about my career and personal interests. My business interests include the development of renewable energy projects, both water power and wind power. I'm also active in the development of recreational properties in northern Ontario on both private and crown land. In 1999, I co-chaired the Ontario Waterpower Task Force. In 2001, I chaired the Ontario Wind Power Task Force.

I am appearing before the committee today to urge the government of Ontario to not support—and I emphasize "not support"—Bill 97 in its current form because it will discourage private sector investment in northern Ontario and cause a further loss of jobs and opportunities in both aboriginal and non-native communities. The bill raises complex issues but offers, in my view, a simplistic process for resolution of these issues. Without doubt, it will lead to litigation, process delay and deadlock.

The area of Ontario designated by Bill 97 contains over 80% of the provincial land mass. If passed, Bill 97 would effectively create two classes of citizens and businesses in Ontario with a wide difference in rights, rules and costs associated with the use of crown resources. At a minimum, a broad public debate is required to ensure that the rights of all Ontario citizens are treated in a uniform and consistent fashion.

I note that the location of the four scheduled hearings—Sioux Lookout, Osnaburg, Attawapiskat and Moose Factory—are not representative of a broad public debate or consultation, particularly when we consider that the area of concern is north of the French River. My question is, what about the cities and the populations of the towns in northern Ontario like North Bay, Sudbury, Sault Ste Marie, Timmins and Thunder Bay? I recognize that anybody can present a written submission to the committee; however, I think this committee, by holding public hearings, is acknowledging the importance of people coming out and speaking directly to the committee and answering your questions.

To continue: Bill 97, in my view, is seriously flawed. The definitions are too broad, and details on future processes are not articulated.

If passed, the bill will produce a land claim rush and competition between aboriginal communities to position their respective claims for priority consideration. Businesses and the crown will be confronted with multi-jurisdictional challenges on virtually every investment initiative. Competition between aboriginal communities will create conflict.

The proposed bill does not reflect an understanding of the current industry or government practices to involve First Nations in socio-economic benefits of new resource development. Without doubt, all communities of northern Ontario should derive some benefit from resource extrac-

tion. At present, for aboriginal communities, this is typically achieved by impact benefit agreements that are negotiated between industry and affected communities.

Another point: The arbitration provision in section 3 may not be enforceable, as the aboriginal communities may not agree or be required to abide by arbitration rulings.

Finally, the costs associated with the payment of crown land resource rentals and royalties should be the same across the province. Businesses operating in northern Ontario should not be disadvantaged compared to businesses operating south of the French River.

I'd like to offer some recommendations. The first one and the priority one is that the government should defeat Bill 97 and focus on the following proactive initiatives:

(1) Expedite the permitting of new resource development applications.

(2) Expand the infrastructure in northern Ontario, both roads and power supply. This will liberate new investment opportunities and the full participation of aboriginal communities in Ontario's growing economy.

(3) Confirm the direct role and responsibility of the Ontario government in addressing resource revenue-sharing with northern communities, and avoid delegation of this role and responsibility to industry.

I take Mr Multamaki's point and perhaps build on that in that, if we're collecting royalties from water power, wind power, stumpage or mining, the government already has the opportunity for setting up special funds for maybe project development. I think that needs to be explored.

(4) Adopt policies and procedures that recognize that all northern communities—native and non-native—have a stake in resource revenue allocation. Many aboriginals live and work in communities outside of reservation territory. Policies that exclude these communities could lead to polarization of positions on issues that affect all Ontario citizens.

In summary, I believe the government of Ontario should facilitate the development of new industry in the north rather than adopting legislation that will lead to greater investor uncertainty, delay and increased costs. Thank you.

The Chair: We have about five minutes per caucus and we'll begin with the NDP.

Mr Bisson: I loved the first recommendation.

Mr Prue: I don't think I liked any of them. Anyway, I'm going to give you the benefit of the doubt here. It sounds to me like you're talking a little bit like Reagan economics, the trickle-down theory: Send it out to the north and the aboriginal communities will somehow get some of the money back to them. Is that what you're saying?

Mr Boileau: No, I think what I was saying is that the mechanisms are already in place, and I'll try to provide an example. Having been in the water power industry for well over 15 years, one of the major sources of revenue to the Ontario government is water power royalties. They collect in the neighbourhood of about \$150 million in

royalties per year. I completely support northern development, and it can be done in a direct way by the government if, for example, they wanted to take a portion of those dollars and instead of having them go to the consolidated revenue fund, allocate 10% or 20% to a special development fund for the north. I think that would be an excellent way of using it. But the royalty payment that industry has to pay would still be the same 9.5%, whether it was north of the French River or south of the French River. What we don't want to have in this province is a situation where we're disadvantaged in the north. We're already losing so many of our jobs and investment from the north, and the out-migration of our youth is an absolute tragedy.

Mr Prue: What about the disadvantage of the native communities? I want to tell you, if there's anyone disadvantaged in the north, it's the people from our native communities: the suicides, the alcoholism, the bad housing, the lack of education, the lack of development on the reserves, the unemployment at 85%. What about them? All I'm hearing about is the basic generic northern community; nothing about them. That's what this bill is about: them.

Mr Boileau: I don't think this bill's about suicide. This bill is an economic measure designed to improve the status of people in the north, particularly aboriginal peoples, and I completely agree with that. I think we're on the same page: We want to have more jobs and investment in the north. I think the government has all of the vehicles it needs to work with the native communities to build and grow the economy so that we can address some of the social issues that flow out of economic deprivation.

Mr Prue: If we leave it the same or basically the same as what you're saying, we're going to leave them in the same condition they're in today. Is that acceptable?

Mr Boileau: No, I wouldn't suggest at all that it's acceptable, but I don't think this bill is the vehicle for achieving what we all want.

Mr Prue: So you're saying, "Leave it to the private sector. Let them make more money. Let the trickle-down of Reaganomics work and everything will be fine."

Mr Boileau: I don't think I said that at all.

Mr Prue: Well, I think you did say that.

Mr Boileau: In fact, one of my recommendations, Mr Prue, was that we build more infrastructure in the north so that we can in fact liberate the opportunities.

I'll give you another example—

Mr Prue: "This will liberate new investment opportunities and the full participation of aboriginal communities in Ontario's growing economy."

Mr Boileau: One of the ways of bringing more jobs to the north, I would suggest, would be to have, say, infrastructure like power and roads being supplied to the northern communities. Truly one of the challenges of bringing forward water power projects is that we have no infrastructure. We've got opportunities to work with First Nation communities in the north but we have no roads to build and we have no way to get the power out. So if we

want to talk about the government taking a proactive role, that would be one way of them doing it.

Mr David Zimmer (Willowdale): On page 1 of your submission, the fourth bullet, I take your point that this committee is limited to these four communities, that we haven't sat down in North Bay, Sudbury, Sault Ste Marie, Timmins, Thunder Bay, Kenora and the other urban areas. You've got 32 years' experience up here, all across this part of northern Ontario. Do you have any sense of how these issues, the issues surrounding Bill 97, are playing out in those urban centres?

Mr Boileau: I think that following a broad public debate, people would agree in the north, at least in the small community I come from, that northerners are northerners and we really need to get the attention of the south that we are being left behind in the growth of the economy and that there is a variety of vehicles. For example, I would fully support the allocation of funds similar to the municipalities, where municipalities receive grants from the province, like the town of Atikokan receives dollars from the province. If resource revenue is the vehicle for that, that's fine. Just make sure it's the same across the board, that whatever we're being charged for stumpage for a tree here is the same as what we're being charged in Huntsville. I have no problem with allocating that and I think the public of Ontario would support that type of initiative as well, providing it was articulated and everybody understood the impacts.

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Mr Zimmer: But specifically, do you have any sense of how this Bill 97 is playing out in those urban communities you've listed there: North Bay, Sudbury etc?

Mr Boileau: I don't, because I haven't—this came up fairly quickly. I regret that I didn't see it a little bit earlier. I'm not sure if the northern communities I've listed here are fully aware of the potential implications of this bill. If they were, I think there would be some serious concern and possibly alarm.

Mr Zimmer: And perhaps a reason to consult with them also.

Mr Boileau: Yes.

The Chair: We'll move to the official opposition.

Mr Miller: Thank you very much for your presentation. I gather you're concerned that the passage of Bill 97 would disadvantage the north further, and that's one of your primary concerns.

Mr Boileau: Yes, I believe it will disadvantage the north. I'm a northerner, and none of my children live in the north any more because they had to go somewhere else to get jobs. I'm sure the aboriginal community is finding exactly the same thing.

Mr Miller: Do you feel that the role of the government, if they want to help the north, should be to invest in infrastructure, particularly roads, hydroelectric or other projects that will give the north a chance to develop?

Mr Boileau: Exactly, Norm, and I think special projects as well, similar to the one I mentioned, where they

could create specific investment funds so that native communities could bring to a partnership with a forestry company or a power development company cash equity into the development and really participate in the projects, as opposed to bringing, I guess, non-cash equity into the projects, which is sometimes hard to quantify and usually increases the cost of the projects.

Mr Miller: There have been a lot of First Nations here talking about wanting to achieve self-sufficiency and deal with some of the huge problems they have, particularly unemployment of 80%, 85%. Any ideas on how the government can help them achieve self-sufficiency?

Mr Boileau: Well, we heard today an example in Longlac, and other examples I'm sure you heard today, where jobs have been created in the north, primarily by private capital investment. But that's been facilitated by infrastructure improvements. I really see an opportunity for the north, both in terms of road construction, power line maintenance, phone line maintenance, power dam developments—a whole host. If we look at the mining opportunities that are in front of us today over the next 20 or 30 years, we're talking a huge amount of land and tourism and all these other things.

Mr Miller: You commented that impact-benefit agreements that are currently happening help assist the First Nations.

Mr Boileau: Well, impact-benefit agreements are a must. We just call them different things. If we're working on building a big plant in the town of Atikokan or the town of Sioux Lookout, we go to that community and say, "Here's what we're building. Here's what we're bringing. What are the impacts? What can we do to work with the community in terms of building jobs and a future for the communities?"

In the case of the aboriginal communities, it's exactly the same. You want to work with the community that's resident in the area. To get approval for a project, you almost have to have that type of thing. But what you don't want, I think, is forest negotiations and forest arbitration that really would tend to make investors shy of even approaching the community.

Mr Miller: The point Mr Bisson has made is that if a new mine, for example, was going to locate within the boundaries of the municipality of Timmins, that new mine would pay property taxes. I think he sort of equated this to the scenario where, if the mine is in an aboriginal traditional territory, they don't pay an equivalent tax, I guess you could say.

Mr Boileau: Norm, there has to be a legitimate source of revenue for northern communities, be they organized, unorganized or traditional native communities across a whole area. I agree with the concept of creating a mechanism for providing dollars to those communities, but this is not the way to do it.

The Chair: Thank you for your presentation.

For the benefit of the committee, our next presenters are not present.

KITCHENUHMAYKOOSIB INNINUWUG

The Chair: I would call on Big Trout Lake First Nation to come forward, please. Good afternoon. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you wish. I would ask you to identify yourself for our records.

Mr Ananias Anderson: My name is Ananias Anderson. I'm acting director for Kitchenuhmaykoosib lands and environment unit. The chief and council were unable to attend this gathering at the moment. I'm just going to be reading out what I was told to read.

Good afternoon. First of all, I would like to extend warm greetings to all elders, chiefs, delegates and representatives of the government present at this gathering from our people of Kitchenuhmaykoosib Inninuwig, formerly Big Trout Lake First Nation.

Prior to commenting on the private member's bill, Bill 97, An Act respecting the sharing of resource revenues for First Nations, I would like to share a little history about Kitchenuhmaykoosib and our people.

The history of the creation of Kitchenuhmaykoosib Inninuwig shows the underhandedness of governments, which necessitated the then Chief Samson Beady requesting that his people be included in a treaty so that they could receive government assistance. This was in 1928. Prior to that, in 1924, game laws were imposed which prevented our people from hunting freely. On July 5, 1929, representatives from both levels of government went to Kitchenuhmaykoosib with a treaty, which had already been prepared in Ottawa without consultation with our people. This was the adhesion to Treaty 9. According to this treaty, our people surrendered all their rights—which was and is not true—to 128,000 square miles and were given 314.6 square miles as reserve in return.

In 1972, with a population of approximately 2,000, more or less, and without finalized boundaries, the members of Kitchenuhmaykoosib Inninuwig voted in favour of splitting up into eight separate bands, and they are as follows: Big Trout Lake First Nation, Wunnumun Lake First Nation, Kingfisher Lake First Nation, Wapekeka First Nation, Sachigo Lake First Nation, Muskrat Dam First Nation, Kasabonika First Nation and Weagamow Lake First Nation.

Kitchenuhmaykoosib Aaki 84, then Big Trout Lake Indian Reserve 84, was granted 85 square miles of land around the Fawn River and Kitchenuhmaykoosib areas. The formula used was one square mile for each family of five. In 1976, the boundary was expanded to 119 square miles, when Kitchenuhmaykoosib Inninuwig was formerly established.

Location: Kitchenuhmaykoosib Aaki 84 is located in Ontario, north of the 51st degree parallel, 276 air miles north from the town of Sioux Lookout and 166 air miles from Pickle Lake, the remote northern community in the provincial district of Kenora and in the federal Indian and Northern Affairs Sioux Lookout district.

Referendum: On May 15, 1996, Kitchenuhmaykoosib Inninuwig held its first ever referendum to determine whether to continue its political relationship with the Nishnawbe Aski Nation based in Thunder Bay, Ontario. The people voted overwhelmingly, at 90%, to separate from NAN and become an independent First Nation. The political separation and withdrawal from the provincial territorial organization was formally adopted on May 26, 1996. Kitchenuhmaykoosib Inninuwig is presently affiliated with the Independent First Nations Alliance for political support. The other First Nations affiliated with this alliance are Pikangikum First Nation, Muskrat Dam First Nation, Lac Seul First Nation and White Sand First Nation.

Local government: Kitchenuhmaykoosib Inninuwig elects its government by the customary selection method. The council consists of one chief, one deputy chief and six councillors. These positions have a term of two years. Each council member has a portfolio. Each official business decision can be carried out with a quorum of five council members.

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Kitchenuhmaykoosib and surrounding area resources: Kitchenuhmaykoosib Aaki and surrounding region has a substantial amount of natural resources which to date have not been exploited. Numerous companies, from junior exploration companies to multi-conglomerate mining companies, have expressed interest in our non-renewable natural resources. I would like to point out that it has only been recently that some companies have approached our community to initiate dialogue, whereas before no discussions whatsoever took place.

It appears once again that our people, including our lands and resources, are the last frontier for further exploitation. Our people in the past have recognized the fact that the south would eventually use the north as a breadbasket in terms of accessing and exploiting our natural resources. This process being discussed today confirms what our people have known from years past. The only difference now is the possible/potential willingness of government and companies to share resource revenues with First Nations—rightfully so and long overdue.

Bill 97, An Act respecting the sharing of resource revenues for First Nations: There are a number of factors we have to consider in discussing this proposed Ontario legislation, and those factors are the potential legal effects of the bill. If this bill does pass, certainly the act is a very important step forward in securing resource-based revenues and benefits for native people living in Ontario. There are very important parts of the legislation which will need to be explained to our people living in this province. Some of the key points in this proposed legislation are:

(1) Within 90 days of this legislation coming into force, the resource companies, the First Nations, the government of Ontario and any other parties shall commence negotiations aimed at arriving at a comprehensive revenue-sharing agreement. Concerns: Who shall pay for the negotiations? Who shall pay for travel and accommo-

dation costs? Who shall pay for legal fees for lawyers? If negotiations are mandatory, then if a First Nation does not agree, can or will they then potentially be forced into negotiations and, if so, can an agreement be enforced on them despite their opposition in the matter?

(2) The comprehensive revenue-sharing agreement is to contain draft Ontario legislation pertaining to the agreement. Concern: What impact is this provincial legislation going to have on Indians in general, especially pertaining to treaty and aboriginal rights?

(3) Section 3 of the proposed act provides the arbitrator with power to impose a comprehensive revenue-sharing agreement on the parties within four years: three years for negotiations, and then, if no agreement, an arbitrator is appointed and a decision of the arbitrator within one year. Concern: Is imposing an agreement reasonable under the circumstances, because negotiations of these types usually take longer than four years to come to a satisfactory and acceptable conclusion?

(4) Benefits of the legislation: (a) resource companies must comply with this legislation; (b) resource revenue-sharing benefits may take many forms: partnerships, joint ventures, shareholder agreements, corporate partnerships including sharing of royalties; (c) the percentage of benefits has not been arrived at, but Ontario government royalties may be subject to being shared with First Nations; (d) First Nation traditional land claims: based on lands that were traditionally travelled across or made use of by First Nations; and claim to traditional lands made by the First Nations.

Claims would have to be substantiated and proven to the resource companies, the government of Canada and any other party. Usually traditional lands are adjacent to Indian reserves. Traditional lands may be lands to which a First Nation that has no current land base may have claim to. The "traditional lands" legal definition extends to lands "whether or not they fall within a reserve occupied by that First Nation." In effect, off-reserve resource-based mining rights are being recognized, and this may extend to resource-based traditional land rights other than mining.

Closing comments: I would like to emphasize that we must be cautious and vigilant in how we proceed. Kitchenuhmaykoosib Inninuwug supports the concept of revenue-sharing; however, we must be prepared to represent the interests and well-being of our people effectively, to protect at all times their aboriginal and treaty rights and to enhance those rights. We should never compromise the aboriginal and treaty rights of our people for the sake of the dollar. It may be that we have to make these concerns heard by the standing committee on finance and economic affairs and, for that matter, to the government of Ontario as soon as possible. It may be the opinion of some that the potential lucrative resource revenue benefits are going to far exceed the potential effect on Indian rights.

These are some of the very important immediate concerns we have pertaining to the proposed legislation.

Meegwetich for the opportunity to express and relay our concerns.

The Chair: We have time for one quick question from each caucus, about two minutes, and we'll begin with the government in this round.

Ms Judy Marsales (Hamilton West): Thank you very much for your presentation. Am I hearing correctly that you have a concern around the potential revenue stream and resource-sharing replacing what the existing government is supporting at the moment, and do you see that government support for these communities will continue at the same rate if they engage in revenue-sharing?

Mr Ananias Anderson: Could you repeat that?

Ms Marsales: Sure. You mentioned that you had some concerns around the complexity of resource-sharing as it exists in this bill. Do you have any concerns that with resource-sharing implementation, the government support currently in existence could be eroded? Do you see it moving away from First Nations?

Mr Ananias Anderson: At the moment, I can't comment on that, because I was told not to really comment on that. I was going to try and get our chief to go to Mushkegowuk First Nation.

The Chair: Seeing no further questions, the official opposition.

Mr Miller: Thank you for coming today. In your presentation you made reference to traditional lands. I know that in supporting this bill, Mr Bisson has made comparisons to municipal governments; for example, a mine locating in Timmins and how the town of Timmins benefits through property taxes if that mine is located within its boundaries. That works where Timmins has a very defined boundary. With traditional lands, I don't believe the boundaries are that defined. In fact, there is overlap between one First Nation and the other. I guess the question I have for you is, how do you get around that?

Mr Ananias Anderson: You mean the overlapping territories?

Mr Miller: Yes.

Mr Ananias Anderson: We did submit a land claim to both levels of government back in, I think, May 2000, which is under review right now. We had some First Nations questioning our land claim, due to overlapping traditional lands. During the summer last year, an MOE was signed between the First Nations communities to work together in solving these issues, including resource development.

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Mr Miller: So you worked with your neighbouring First Nation to figure out where the border is and if there is a border?

Mr Ananias Anderson: Yes.

Mr Miller: Just a general question: We've heard from a lot of First Nations talking about the goal of becoming self-sufficient. How do you think you can achieve self-sufficiency, where you deal with the unemployment rates and the terrible conditions on First Nations? I know that's a big question.

Mr Ananias Anderson: What was that?

Mr Miller: How do you become self-sufficient? How do you deal with things like 85% unemployment at First Nations?

Mr Ananias Anderson: At the moment we're having negotiations with two mining companies so far, De Beers and Platinex. We're trying to work something out so that we can get more employment for our people.

Mr Miller: So basically an agreement with companies doing business in the area to try to get more employment?

Mr Ananias Anderson: Yes, that's right.

Mr Miller: Like the one that was mentioned earlier by Placer Dome, the Musselwhite agreement, to try to get more jobs that way, through First Nation participation.

Mr Ananias Anderson: Yes.

Mr Hampton: The first question I want to ask you relates to one of the concerns that you raise. What impact is this provincial legislation going to have on Indians in general, especially pertaining to treaty and aboriginal rights? Usually legislation like this has what is called a non-derogation clause, a clause that says that nothing in this legislation addresses or deals with or is intended to deal with treaty and aboriginal rights. Would a clause like that, which says that the issue being dealt with here is not treaty and aboriginal rights and in no way would this bill affect treaty and aboriginal rights, in no way can it be taken as minimizing or otherwise changing treaty and aboriginal rights, help satisfy part of that concern?

Mr Ananias Anderson: You mean a clause to deal with this?

Mr Hampton: Yes.

Mr Ananias Anderson: Yes.

Mr Hampton: I want to refer to the question just answered and one of the earlier questions. You are trying to gain some employment with some of the mining exploration companies that want to work near your First Nation; is that right?

Mr Ananias Anderson: Not just the mining companies; some other companies as well.

Mr Hampton: Right. In other words, that's really about employment.

Mr Ananias Anderson: Yes.

Mr Hampton: That's not revenue-sharing.

Mr Ananias Anderson: I know that.

Mr Hampton: That's trying to gain some jobs in terms of some work activity that may be going on. There was some confusion earlier today, I felt: negotiating a job or negotiating a contract for work with revenue-sharing. I just want to be clear. You don't see the discussions that you might have with a mining company as being about revenue-sharing. That's really about negotiating a contract to do so work, isn't it?

Mr Ananias Anderson: Yes.

Mr Hampton: Thanks.

The Chair: Thank you for your presentation. For the benefit of the committee, our next two presenters have not arrived yet.

KASABONIKA FIRST NATION

The Chair: I understand that Kasabonika First Nation is present. Please come forward. Good afternoon. Thank you for being here and accommodating us by presenting early. We appreciate that. If you would give your name for the benefit of Hansard. You have 20 minutes and you may allow time for questions, if you wish, within that 20 minutes.

Deputy Chief Eno Anderson: Thanks. I thought I would come in earlier but I was on the flight that goes around Big Trout and Bearskin.

Thanks for the opportunity. I'm just going to go through the presentation. There are copies that were made for distribution. First of all I want to explain the logo on the top there. That's our First Nation logo. What it means is that the tepee in the centre is our culture and language, one flag represents Canada and the British flag represents the treaty and all the other resources that were mentioned in the treaty: the sun, the grass and the river. Those are the symbols of the treaty.

I'll just go ahead to the introduction. Good day, members of the committee, staff, respected leaders and members of the public. My name is Eno H. Anderson. I am deputy chief of the Kasabonika First Nation. I want to thank you for the opportunity to make a presentation on Bill 97, an act regarding revenue sharing with Ontario First Nations in northern Ontario, or that area north of the French River.

Toward the end of my presentation I will be introducing a young student from our community who will be sharing. He's not with me. He was supposed to come from Thunder Bay but he's not here. He was supposed to do a small presentation. We believe that it is important to hear from our youth on such matters. They should have a say in their future and be encouraged to participate in the activities of our government.

We will not be going into the details of our treaty and relationships with Ontario and the general economic and socio-economic conditions in the north, especially the remote north where we live. We believe that others such as the Nishnawbe Aski Nation have covered those details in their presentation. Our focus will be on our local community setting, conditions, experiences, views and needs.

Background: The community of Kasabonika is a fly-in First Nation community. The main site of our community is now located on the island in Kasabonika Lake. Our reserve lands cover 27,000 acres under Treaty 9. We also have traditional lands where our members have sustained themselves for countless generations and will continue to do so for all time.

Two years ago we completed our most recent community economic development plan. We believe that some of the information from our CED plan gives you a clear picture of some of the challenges facing our community and leadership and morally verifies the need for revenue- and resource-sharing.

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In 2002, our population was 862. By 2011, it is projected to be 1,003, or a 16% increase. Not only will our population continue to rapidly grow, it will be a very young population, indicating employment and family dependency needs that must be met.

Our 1999 population age breakdowns show the following age breakdowns in our community—I'm not going to go through the numbers. It's in the presentation.

These population figures illustrate that our demand for employment- and income-generating opportunities and for community infrastructure, including housing, roads, sewers, water and other facilities as well as services, will continue to rise significantly for at least the next two decades.

The average cost of a home in Kasabonika is currently around \$150,000. How will we, as a community, or our members afford such housing and at such numbers in the future?

Welfare and social assistance: Our staggering unemployment rates are even more profound when one looks at our welfare and social assistance rates. The large number of children and other family members whom our unemployed are responsible for means that over 80% of our community population draws some form of welfare or social assistance.

Other income information: The vast majority of our community income is used to run our administration and basic programs, to provide social services, assistance and support payments, and to deliver education. Very little of our income currently comes from economic development. There is a shortage of equity capital to invest in economic or business development opportunities.

Unless there is a community income or revenue-generation change and more equitable sharing of resources, it will be impossible for a First Nation such as Kasabonika to get out of an undeveloped state and escape the welfare trap and, thus, the extreme poverty that plagues our people.

Bill 97, revenue-sharing: Revenue-sharing is one of the development elements that most, if not all, First Nations want to share in. They also want to share in the resources, the planning and management of their lands, resources and future.

Our treaty is an agreement based upon the principle of sharing. We must now get back to that principle and help our children and communities secure their future.

Revenue-sharing is a huge and complicated undertaking. We respect and appreciate the efforts of those who have recognized the need to address this issue. However, the goals we set and the means we utilize to achieve those goals must be the subject of further discussion.

Kasabonika supports the principles of revenue-sharing as well as resource-sharing, but we respectfully do not support Bill 97 as drafted. We believe a proper and agreed-upon process is needed to arrive at some mutual understanding and agreement.

While we are deferring many of our comments on Bill 97, as drafted, to the NAN, we would like to highlight a few key items at this time:

The bill, as drafted, does not contain a non-derogation clause respecting aboriginal rights.

The First Nations must review Bill 97 in terms of our rights.

Given the lack of information and clarity in Bill 97 at this time, we do not know what we would be agreeing to. Thus, our agreement would be premature.

A committee of Ontario will be consulting with First Nations and drafting the legislation. A more inclusive and agreeable process of consent is needed.

Bill 97 does not reflect a government-to-government relationship or a sense of partnership.

Bill 97 makes reference to involuntary binding arbitration under the laws and courts of Ontario. This requires careful examination by First Nations.

There must be special consideration to the far north, the isolated First Nations communities. Their cost of living and participation in development are higher, and the impacts of development could be more significant.

Bill 97 does not make any mention of what would happen to the existing tax reduction given to mining companies operating in the far north in appreciation of higher costs of doing business in the far north.

Bill 97 makes reference to revenue-sharing from resources extracted on First Nations' traditional lands. In background material, reference is made to forestry and mining. Little or no reference is made to other resource revenue-sharing such as hydroelectric developments, water taxes, tourism, fish and game. Also, Bill 97 makes no reference to developments not on but affecting our lands and ways of life—for example, the downstream effects of development.

Bill 97 makes no reference to those First Nations and/or those with lands located in parks or protected areas and their reduced ability or inability to share in development and revenue generation. How will those First Nations share in development?

Bill 97 does not clarify if only those First Nations with development on their lands will share in development or if those with developments on their lands will share with others.

There is currently no identification or distinction or clarification made regarding revenues the Ontario government receives from development and what a First Nation would negotiate with a developer.

There is no differentiation made between the types of resources for revenue-sharing and their special needs. For example, mineral exploration requires considerable investment with little, if any, rate of return until there is an actual mine development, yet there is much for First Nations and Ontario to gain in the exploration stage that will produce revenues other than those coming from the company. Will Ontario share its revenues in the exploration stage of minerals development?

There is no mention of any interim measures that could be considered while agreements are being nego-

tiated. There is no mention of impact of benefits agreements as they may relate to revenue-sharing. There is no mention of the cost for First Nations or companies to participate in and implement such a revenue-sharing arrangement. Negotiations, mediation and arbitration activities cost money.

There is no mention in these discussions of including Canada in the process.

Again, we wish to reiterate that our questions and concerns regarding Bill 97 as drafted are meant to be supportive and constructive toward the development of a proper process to reach a mutually acceptable and beneficial understanding. We want to improve our relationships in the areas of revenue- and resource-sharing.

Municipal modelling: Discussion material related to Bill 97 makes reference to the ability of Ontario municipalities to share in development by taxing the developments on their lands and, in some cases, extending their municipal boundaries in order to tax development. It is suggested that First Nations should also have some opportunities to share in resource development and acquire some of the revenues from development to help support their communities. We appreciate this consideration and the recognition that we are now not properly sharing in development that is or will occur on or affect our lands and resources.

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It must be recognized that First Nations do not have a formal tax base or system in our communities. We must depend solely on Indian and Northern Affairs Canada to fund our infrastructure. Is Ontario proposing that we use a municipal model for revenue-sharing, one of taxation or provincial transfers to First Nations? It has been said that such a tax initiative would provide greater certainty for industry and communities, that companies would better be able to calculate if a development is economically viable or not because they would know in advance what their tax and revenue-sharing costs would be. How would a municipal tax model of revenue-sharing work in a First Nation community that does not have a tax base or system? Or are we to negotiate a non-tax base revenue-sharing agreement with every development—with companies and the government of Ontario—and are government revenues also to be shared?

What revenues and benefits? We must have some clarity as to whether we are just talking about government revenues that would be shared or whether it would be company revenues that are shared. We all know that companies do not want to be taxed twice. Currently, when we negotiate with a company on a development in our area there is, at the insistence—other governments—no other government participation in those negotiations. Would this change with Bill 97? If so, what would be the role of Ontario?

Currently, when we negotiate with a mining company during the exploration stage, we negotiate for items such as compensation, employment, training and business opportunities including accommodation, food, transportation, warehousing, fuel and other services. What we are

negotiating is participation in resource development. There are no revenues from the company to share at this stage. Would what we negotiate for during the exploration stage change? Would there be an Ontario revenue component as well? Perhaps, based on the income tax and other revenues Ontario receives during the exploration stage.

When we proceed to advanced exploration or mine development, which is not the norm, we must be in a position to negotiate an impact benefits agreement. Indeed, the IBA should, for many reasons, be a requirement for such developments to proceed in the far north. Revenue-sharing must be a key component at this stage of development, and we must know if it is going to be tax formula-based or subject to negotiations. There must remain some flexibility in revenue-sharing to both allow First Nations to maximize their benefits and the types of benefits they would like to receive and to recognize that economics of different minerals and mines and location may determine what a company can pay and remain viable, while at the same time bringing many benefits to a community. We must look at it from a business perspective as well and not just as a cash flow to our First Nation. There has to be a viable business to have sustainable revenues, and companies, including our own First Nation companies and partnerships, have to reach business arrangements that make economic sense.

At this time, some mining companies tend to view a First Nation as a mere stakeholder and their negotiations with the First Nation as an overhead cost. They include us as part of their costs to determine if the project will proceed or not. Are those costs still to be negotiated or will there be a set formula like a tax? At what stages of mineral exploration and development would revenue-sharing occur, for what amounts or percentages, and who would do the sharing?

There must be flexibility in what revenues and resources are to be shared, and when. When a business is starting out, it has fewer revenues to share. In the case of mining there are often no revenues and only expenses at the early stages of development. Our community wants to encourage exploration activity that meets our standards, and we do not want to chase away investment. As the business becomes profitable, there will, and should be, more to share.

Ontario is currently involved in revenue-sharing with our prospectors. Some prospectors are funded by the Ontario Exploration Corp to assist with their work. They can receive up to \$6,000. A condition for this funding is a stipulation that if the property becomes a mine, the Ontario Exploration Corp takes at least 1% off the top in revenue-sharing. We may also have a revenue-sharing agreement with a company to develop the property for 3%, and Ontario has already taken 1%, or one third of the value of our revenue-sharing agreement. There is little left for the prospector or the community, depending on our local ownership arrangements. Is Ontario going to share some of its revenues in such cases with First Nations? The cost of prospecting is very high in the far

north. It is important that incentives and revenue-sharing make sense in the environment of the work. Bill 97, as drafted, does not address these issues, and we do not know if it will do so in a satisfactory way later on.

Our experience: We would like to give you an overview of some of the approaches taken by our community in pursuit of development.

To help guide our development initiatives, our community developed a set of principles. They are stated as follows: Our culture and way of life shall be protected; the environment shall be protected; our aboriginal, Constitutional and treaty rights shall be protected; and developments in our territory must benefit our people.

We believe that most developments, if properly approached, could meet the test of our principles. We believe that agreements on revenue and resource sharing could be reached with Ontario if properly approached.

Participating as a developer: Our community surveys and discussions indicated that our people wanted us to pursue development that met the tests of our principles. They also told us that they wanted us to do more than pursue labour-type employment. They also want us to pursue business opportunities and partnerships in development. They want us to do more than ask for financial compensation or revenue. They want to be involved in development and to form new partnerships. They want us to pursue forms of revenue- and resource-sharing where we are actively involved in all aspects of development, management and planning. Wherever possible, our members want us to pursue partnerships, joint ventures and development agreements. As the percentage of local ownership and participation in development increases, so will local support for development.

One of the key features of pursuing development on the basis of partnerships is the transfer of capacity, knowledge, education and skills to our community. We cannot do all of these things alone. We need assistance and partners. In exchange, we can contribute our own knowledge, support and cost-effectiveness to development opportunities. Creating win-win situations, we must always remember that cash alone will not build capacity and maximize opportunities.

1700

Steps in the participatory development approach: Over the past five years, we have undertaken a number of steps to both respond to the pressures and opportunities of development and to seek development opportunities of our own. Those initiatives included: Assessed our community socio-economic conditions, and looked at what opportunities we would have to create, and especially those for the youth; examined what our potential was in the primary resource sectors of forestry, minerals, electricity, energy, tourism and traditional pursuits; undertook a significant local public participation program on development issues and opportunities; conducted a community survey on development issues so our members could give guidance to our leadership and better participate in development; updated our community economic development plan to help guide our development initia-

tives; researched and initiated a restructuring of our local development institution to help foster development; negotiated resource development agreements with various exploration companies; we are now examining other development agreement opportunities in the minerals and energy sectors, while also expanding our tourism operations; secured the much-needed support of Canada and Ontario to help support our initiatives; trained local prospectors to help advance our own exploration initiatives and to share the same with other area First Nations; and commenced our own mineral exploration initiatives and are now marketing our properties and establishing new partnerships.

Revenue—a key ingredient: Revenue-sharing is a key ingredient for our community, not only to assist with infrastructure and other community needs, but it is also a key piece in the development of opportunities and investments to generate longer-term and sustaining revenues. Our community economic development plan update indicates that equity capital was a key stumbling block in our ability to promote and fully participate in development initiatives. Any forms of revenue- and resource-sharing must help provide us with the equity capital needed to participate in development as development partners.

Women: We would like to make special mention of the women in our community. In our community there are far too few opportunities for all segments of our community, especially for women. The women of our community are the managers of our households and have a great role in the raising of our children. There is much more they can do if provided with the supports they need, both during the child-rearing years and after. It is our belief that we must provide greater respect for our women and provide them with the opportunities to make their full contributions to our families and community.

Currently, the women in our community are able to get some benefits from supporting mineral exploration activities: helping with the supply of accommodation, food and other local services. However, we know that the women in our community have an interest in prospecting and related activities and there is so much more they could do if given the opportunities. Our women have told us they want to play greater roles in development and we want to help them achieve their goals. We need the resources to help provide those opportunities to all in our community, including our women. Any agreement on revenue- and resource-sharing should have the capacity to allow communities the ability to help all community members achieve their full role and place in development and the future of our communities. Thank you.

The Chair: Thank you very much. We don't have time for questions, but we appreciate your presentation.

WEYERHAEUSER COMPANY LTD

The Chair: I would call on Weyerhaeuser. Good afternoon. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions,

if you so wish. I would ask you to identify yourself for the purposes of our recording, Hansard.

Mr Murray Ferguson: My name is Murray Ferguson. I am the strategic forest resource manager for Weyerhaeuser, with responsibilities for our forest lands operations here in Ontario. By way of introduction, I would like to thank you for the opportunity to speak with you here today.

First of all, a little bit about Weyerhaeuser for those of you who may not be familiar with our company: We are an international forest products company with operations around the world, but in Canada we have operations in BC, Alberta, Saskatchewan, Ontario and New Brunswick. Specifically here in Ontario, we have a pulp and paper mill in Dryden, a sawmill in Ear Falls, an oriented strand board mill in Wawa and a laminated strand lumber mill in Kenora through our Trus Joist subsidiary—that is an engineered wood product. We are responsible for three sustainable forest licences here in Ontario.

Weyerhaeuser in Canada has developed an aboriginal policy, and I've included copies of that for your reference. Suffice to say that within that policy we are a strong supporter of aboriginal initiatives. We have specifically developed that policy, which is known as A Policy and Framework for Building Relationships—Canada's aboriginal Peoples and Weyerhaeuser.

In addition to that policy document, we have an overall diversity objective within Weyerhaeuser, and that applies not only to our operations in Canada but throughout the world. That diversity objective is to create a workforce that broadly reflects the demographics of the local communities in which we operate. Those demographics vary around the globe, in the different jurisdictions where we operate, but here in Ontario clearly what we're looking for is solid representation of the aboriginal communities within our area.

Further to that direct employment objective, we have an objective to purchase a level of goods and services from businesses that reflects the demographics of the local communities in which we operate. So again, we want to do business with aboriginal businesses and operations that can contribute to our success as well. The rider we put on that is, "subject to the company's commitment to competitive purchasing." We do want to do business with aboriginal businesses, but we want that to be on a competitive basis. We believe that is reasonable and achievable, and we have a number of examples to demonstrate that.

I would like to speak for a moment to condition 34, which may be more commonly known as term and condition 77. Term and condition 77 had its origins in the timber management class environmental assessment decision back in 1994, reinforced as condition 34 in the declaration order Forest Management on Crown Lands in Ontario, which came out in June 2003. Specifically, that condition specifies that, "MNR district managers shall conduct negotiations with aboriginal peoples ... to identify and implement ways of achieving a more equal participation by aboriginal peoples in the benefits provided

through timber management planning." Although this condition is clearly an MNR responsibility, we just want to go on the record that we are supportive of the intent of that condition.

Although it may be difficult to implement that, particularly where infrastructure already exists, and that is the case in many cases—there is no unalienated timber; most of the timber has been allocated to various mills and whatnot—we do want to take the time to develop and implement those new opportunities where we can, but we recognize that it can't happen overnight.

Some examples of Weyerhaeuser aboriginal initiatives within Ontario:

We have contracts for timber harvesting with aboriginal contractors.

We have contracts for seedling production, and between 40% and 50% of the seedling requirements for Weyerhaeuser within our renewal programs are in fact produced for us by an aboriginal business.

We have had numerous contracts with various First Nations communities for pre-commercial thinning and a number of other forestry contracts as well, whether they be surveys for regeneration success and other assessments that take place within our forest lands.

We have had a number of employment opportunities within our mills. Particularly, I want to highlight our mills in Ear Falls and Kenora. They are relatively new mills. We didn't have a lot of infrastructure in place. Greenfields such as those that have happened in Ear Falls in 1997 and the TimberStrand mill in Kenora in 2002 create opportunities to bring aboriginal peoples into the business, and we believe we've had some success on that front.

We have also had a number of service contracts with our mills, in the construction and operation of those mills: things like catering, security, maintenance, a number of service-type contracts which can be implemented on those fronts.

We have had an employment program for First Nations youth every year since 1995, and we look forward to continuing that as well.

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Speaking a bit about certification, I guess the Minister of Natural Resources has recently made it a requirement that all sustainable forest licences in Ontario be certified by 2007. We are a little ahead of the game there, in that all our SFLs in Ontario are ISO 14001-registered.

We have already achieved CSA-Z809 certification on our Trout Lake and Wabigoon SFLs and are currently pursuing CSA certification on our Kenora SFL. We are just wrapping up our public consultations with respect to that CSA and anticipate that that forest will receive certification early in 2005.

We are very pleased that First Nations communities and organizations have actively participated in our certification initiatives. That has been most welcome.

A little bit about the economic challenges faced by the forest industry—I'll start at a global scale and zero down to a more local level. We are experiencing a shrinking

demand for paper in North America. This is an impact of e-business and the computer age. A number of years ago, people forecasted that we would become a paperless society. For a long time we didn't believe that. That is now starting to become a reality.

Mr Hampton: I'm doing my best here today.

Mr Ferguson: Yes, and we welcome that. I brought a little along myself.

Mr Bisson: We just want to help the pulp and paper industry.

Mr Ferguson: The more the merrier.

The impact of e-business has become real. The demand for paper products is declining. That has become very real over the past couple of years. The pace of the decline is increasing, and we do not expect this to reverse. So it's going to be a challenge for us to find our right spot in the marketplace and remain successful.

The other major challenge we face is within the lumber industry. I'm sure you're all aware of the softwood lumber issues with the US. Of even greater concern to us at this point in time is that there is a great oversupply within the lumber markets. It's going to take some time for mills to rationalize and get that under control. We do not expect that resolution of the softwood lumber issue will resolve the oversupply issue. We're going to have tough times in the lumber industry for some time to come.

We are also experiencing increasing competition from outside of Canada and North America. We truly have become a global economy with respect to the forest industry.

Further challenges within our industry: We know that we are not competitive relative to other forest products industries in other parts of Canada, North America or throughout the globe. We can say that with assurance within Weyerhaeuser because we have our foot in all those jurisdictions. We clearly know that we are not competitive in Ontario relative to those other markets.

Some of the reasons we are not competitive in Ontario: First of all, we have a small tree size relative to other locations. You can imagine us being in the same market as the provinces of Alberta or BC, where the tree size they are dealing with is much larger and the volumes per hectare are much larger. That helps them produce at lower cost. Our cost of fibre is high, relative to other markets; our cost of labour is high; and our cost of energy is high. We're doing what we can to come up with plans to deal with all those issues. But the bottom line and the point I wish to make is that the forest industry cannot afford additional costs.

On the environmental side, we are also facing challenges. We believe that Ontario has one of the most rigorous and transparent forest management systems in the world, largely the result of things like the timber EA, which happened in the late 1980s and early 1990s, the Crown Forest Sustainability Act, Ontario's Living Legacy, which has increased our protected spaces, and things of that nature. But we continue to be challenged by non-government environmental organizations. You're prob-

ably aware of the increasing attention of environmental groups turning to the boreal forest. We are really beginning to feel that pressure in the marketplace.

A couple of key messages: The forest industry in Ontario is not competitive from a cost perspective, and we are experiencing increasing pressures from environmental groups with respect to the boreal forest.

We deal with multiple First Nations within Weyerhaeuser. Our operations in Ontario overlap four treaty areas. We deal with approximately 20 individual communities as well as several tribal councils. In addition, from our licence areas we supply not only our own mills with a variety of products but we also have ministerial directives on our licence to make fibre available to a number of other companies; there are various species and various products associated with that.

I make that point because Bill 97, as it stands, proposes that the forest industry be involved in the negotiations with First Nations. We certainly are willing to deal with First Nations on matters of economic and business opportunities, but we really feel that in order for all First Nations and resource industry companies to be treated fairly that any arrangement relative to revenue-sharing must be negotiated directly between the province and the First Nations. We do not feel it appropriate for our company or other resource industry companies to be involved. It is a government issue.

Specifically to Bill 97, Weyerhaeuser is not opposed to revenue-sharing between Ontario and First Nations, however—and these are important considerations—any sharing of revenues between Ontario and First Nations must not increase the total dues currently being paid by the forest industry. The forest industry cannot afford additional costs.

In summary, we believe that resource revenue-sharing in Ontario is a government-to-government issue. It is inappropriate for the private sector to be involved in these negotiations. And again, the bottom line: The forest industry cannot afford increased costs for this purpose.

If I have a couple of minutes, I'd be pleased to attempt to deal with any questions you may have.

The Chair: We have about two minutes per caucus and we begin with the official opposition.

Mr Miller: At the end of your presentation, you more or less answered the question I was thinking about. You're very much an international company and my question was, will Bill 97 negatively affect your business in Ontario versus other jurisdictions? Basically you've said that any increase in costs, if Bill 97 incurs costs to your company, then the answer is—

Mr Ferguson: Any increase in costs would be detrimental to our business, yes.

Mr Miller: OK. I think you've pretty much answered that.

One other question: How do you deal with the overlap of treaties where you have a number of First Nations in an area?

Mr Ferguson: That is very difficult. We attempt to deal with things at the community level where at all pos-

sible. Our first line of approach in all the matters where we deal with various First Nations is through the communities. Once we make the link through the community, if the community leaders—the Chief and council, and their elders, if they wish to involve them—directs us to work at a higher level with other communities, involve other communities, tribal councils or treaties, then we elevate and include those people in our discussions as well. But it is a difficult thing because of the various treaties, and even from community to community, the overlaps are vague. There were overlaps of traditional land use areas and whatnot. We try to be cognizant of those and recognize those, but they are grey areas. So we try to zero in at the community level and deal with things that we can at the community level and take our direction from those folks.

Mr Miller: Thank you for coming.

Mr Bisson: Quickly, because I know that Howard has a question. First of all, there are a number of things that you and others have talked about in regard to some of the amendments you're looking for that, quite frankly, I can support, such as what you're suggesting, that the role of companies in this process should be excluded. I don't have a problem with that. We understand what the overall issues are in regard to the additional cost; however, how we deal with it is another matter.

In your dealings with First Nations, you and other companies are trying, I guess, to put a good foot forward in trying to deal with First Nations in a progressive way. Part of the problem is those communities don't have capacity. My question is, how do you deal with that? If you want to give them business opportunities and they don't have the capacity to pick them up, it's like a Catch-22. Where do we go?

1720

Mr Ferguson: That's a very good point, and that's very real. Some of the things that we can do, I guess, is attempt to link the First Nations communities into training programs that will better build capacity for them and, in some cases, assist them in working toward various alternatives for funding that can put infrastructure and resources in place. Oft-times how things work on partnerships is, if you get a little bit of seed money, it kind of builds and builds, and we can sometimes grease the skids on those kinds of fronts.

Mr Bisson: But it would be fair to say there's a very small portion of your business that's actually done with First Nations because of that.

Mr Ferguson: I think we do a fair bit of business with First Nations. We'd certainly like to do more. Obviously, we are not a funding agency; we're a business. We try to make the links and build where we can on the strengths.

Mr Hampton: I want to thank you for making some very clear distinctions in your brief. I'm aware of some of the work you do with, for example, Wabigoon First Nation. You're saying you're quite prepared to work on a business-to-business relationship, but the issue of revenue-sharing is one that should be dealt with government-to-government.

Mr Ferguson: Correct.

Mr Hampton: Government gets a lot of resources from resource companies. I thank you for making that point, because I think that is the point. Government's been trying to avoid this issue of revenue-sharing by saying to First Nations, "Go deal with the company. Go talk to the company." My government has a responsibility here.

Second point I want to raise with you: You have a paper mill in Dryden.

Mr Ferguson: Correct.

Mr Hampton: You pay property taxes.

Mr Ferguson: We do.

Mr Hampton: If you were to build a sawmill, say, north of Red Lake, if it comes down to that in order to get chips for your sawmill, for your paper mill and your other operations, it would seem to me equitable that what you don't pay in property taxes, because you wouldn't be within an organized municipality, then, you could be able to pay in something called "in lieu of" property taxes to a First Nation. Does that sound equitable?

Mr Ferguson: I hadn't thought along those terms, Mr Hampton, but certainly I think the concept is correct. I'm thinking back to when we built our sawmill in Ear Falls. We made a concerted effort to actually put that within the bounds of the community so that they would then have some benefit for that. Similarly, when we built our TimberStrand mill in Kenora, it was purposely built within the community so that there would be some revenue flowing to the community from that. So the concept is correct. The mechanism would have to be determined, but, in theory, you're right.

Yes, we deal very much with First Nations, try to create the opportunities, and there's definitely some money that needs to flow that way.

The Chair: We'll move to the government.

Mr Zimmer: I understand your point. You make it very clearly and forcefully that you think the revenue-sharing should be between the government and the relevant First Nations. One of the things I think that the bill is trying to achieve is to make some palatable connection between a revenue activity on a First Nation land and something that flows into the hands of the First Nation, to preserve that connection, that directness, so that if something happens down the road here, there's a direct connection with the revenues that flow back from the First Nation. What would you say about some mechanism that the corporations such as yours share the revenue on some basis but got some mechanism to get a credit from the province in the nature of tax relief or something else?

Mr Hampton: And the feds.

Mr Zimmer: And the feds—and it was handled in such a way so that there was no cost or revenue reduction to the corporation and we were able to preserve that sort of direct relationship between the relevant First Nation and the relevant company or revenue producer?

Mr Ferguson: I'm not sure I'm following you 100%. Are you suggesting a link between the company and an individual, specific First Nation there?

Mr Zimmer: Well, your company shares revenue with a First Nation but gets a tax credit at the provincial and/or federal level. So there's no cost to you but there's a direct connection, then, between the revenue and the First Nation.

Mr Ferguson: I think, as long as there is no cost to us, we'd be receptive to working through some other alternatives. I'm not exactly clear on how that might look at this point in time.

Mr Zimmer: My point is that in addition to the actual revenues that would be shared, if they were to be shared, it seems to me it's better to have a direct relationship between the revenue producer and the First Nation rather than to have the government write out a cheque and send it back to the First Nation, because that's too remote.

Mr Ferguson: Yes. I guess the difficulty I would see with that type of arrangement is that, as I indicated, we're working with upwards of 20 individual First Nations and we certainly wouldn't want the onus put on us to go and negotiate who gets what within that framework. I think what we would be looking for is an arrangement between the province of Ontario and First Nations at whatever level, and if in fact in the end we've got a total pot of money that we write two or three or six cheques for, that's fine, as long as someone tells us how much and where it goes and that the total remains the same.

The Chair: Thank you for your presentation this afternoon.

WABASEMOONG INDEPENDENT NATION

The Chair: I would call on the Wabaseemoong Independent Nation to come forward, please.

Mr Bisson: On a point of order, Mr Chair: Obviously, there's no perfect process in drafting a bill like this, and I just want to tell members that we are going to be coming forward with amendments. A number of these issues have been talked about previously, before the bill was drafted, but we had decided to proceed in this fashion in order to bring amendments, because we knew if it gets to committee, that's where you do that. So you'll be seeing a number of amendments coming forward. I'll need to talk to leg counsel at one point to start doing that.

The Chair: It's not a point of order but it is a point of interest.

Mr Bisson: That's how we get that point of information. I've been around this place long enough to know how to get the floor.

The Chair: Very good.

Welcome to the committee. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you wish. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Chief Ron McDonald: My English name is Chief Ron McDonald, from Wabaseemoong. I'm here to represent my community of Wabaseemoong.

As you all know, Wabaseemoong is made up of three smaller communities: One Man Lake, Whitedog and Swan Lake. I just wanted to give a little background of what my role is here as a chief. My father was chief for at least 23 years in Whitedog. He has pioneered to where we are at right now in the community of Whitedog.

In regard to Bill 97, at present we are under what we had settled with the federal government, Indian Affairs and Hydro. We had settled for a mediation agreement in 1985-86. In that settlement, we feel that this mediation agreement is our governance. It spells out the design blueprint of our community for future generations as well.

1730

I'm here to acknowledge and also support that the existing agreement with the feds and the province right now should be looked at first. In that mediation agreement there was supposed to have been a review every five years of that everlasting agreement. We take that agreement as a treaty between the province and the government of Canada, because of what happened to our community. I'm now talking about the mercury contamination that happened in my community of One Man Lake, which was also flooded, by the way. We were forced to move to Whitedog and ever since then we've had many social problems with the termination of commercial fishing in our community.

The reason I'm explaining that a little bit is that right now, as we speak, my community is suffering financial hardship, socially and economically, and it's because of the mediation agreement that was discussed back in 1985-86 with Hydro One, the province and the feds. We feel that we've been diminished, not only in terms of infrastructure, but our community has diminished in such a way that the social fabric of our community has been stolen and it has lost a lot of its culture that was there before the flooding and before the termination of commercial fishing, the banning of commercial fishing in Wabaseemoong. We never saw sniffing, we never saw the drinking, the alcoholism. We never saw a lack of housing. We never suffered all these things that are going through my community right now.

We feel it's the responsibility of the government, and before we start talking about Bill 97, my First Nation wants to have a review of our present situation with that mediation agreement. The mediation agreement to us is very sacred, a sacred document, Bill C-110. It needs to be reviewed before we move on to speak of resource-benefit-sharing.

Even though right now we're working with Weyerhaeuser in terms of forestry, we still feel apprehensive about it. We haven't been given the green light from our community membership, the grassroots people. They need to be consulted as well. They need to be communicated with. They need to be brought up to speed on what's happening with Bill 97 at the grassroots level.

Before we endorse any further programs or policies or whatever from the governments, we need to be consulted properly. I mentioned that mediation agreement. To us, that needs to be addressed first.

We talked about MNR a little bit before this presentation—the Ministry of Natural Resources—working with First Nations in terms of tree seedlings. What happened to our seedling factory in Whitedog? How come they don't buy it from us? We had a greenhouse. Now MNR has refocused.

Our community is just as viable as any other community. We want to be able to gain economic independence. We want jobs for our people. Our people are suffering financially. We want housing.

I look at this, for us, that we've prepaid our taxes before contact, pre-contact. We prepaid infrastructure, medical services, economic. That's all been prepaid by our people when they signed the treaties. I'm from Treaty 3. I acknowledge that I'm from Treaty 3. I also speak for the other communities in Treaty 3. I need a review of that mediation agreement.

We are quite willing to share our resources. We're presently doing a resource benefit-share with Hydro as we speak. The community receives \$500,000 a year from Hydro One, but even that needs to be reviewed. The mediation package itself was supposed to have been a best effort from Hydro and we feel to this day that it's not best effort, because the transmission lines that we're presently paying—payment in lieu of taxes, the transmission line that cuts through three reserves: Whitedog, One Man and Swan Lake. It's not fair. Is that the kind of resource benefit-sharing you're talking about, the existing transmission lines? We get \$53,000 for 10 years. We get \$53,000 per year for a 10-year period. We're not signing that until this is reviewed. We're not signing these kinds of agreements any more until our case at Wabaseemoong is reviewed. There is no best effort right now.

We need to call all the parties from our community before this goes any further, for Wabaseemoong, anyway. We want a review from Hydro One. We want Indian Affairs, the province and the feds all sitting in one room before they make any decisions that compromise our livelihoods in Wabaseemoong. We want them to come forward and have a meeting at Whitedog and take a look at this mediation agreement. What has it done to the community? It has diminished our community to a point where there is complete loss of livelihood and a high rate of suicides. Whitedog has the highest rate of suicide on a per capita basis right now.

We're struggling right now to get a brand new school. We're trying to find ways of getting all these parties, the inter-agencies, to come to us, to come to a meeting. Before we agree to Bill 97—I'm not saying we're opposed to it, but I'm just saying we need to sit down to review the best efforts clause in that mediation agreement. It's not happening.

To us, the meaning of resource benefit-sharing is a whole lot different. We need to sit down and you need to

listen to us and find out what it is. Right now, for example, Hydro One, all the water resources that they're gaining economic benefit from, they're making all the profits. Where does that put us? Where are the first peoples of this country in this economic development plan of resource benefit-sharing? Where are we in that picture? All the power that cuts through our communities in Whitedog, all that money, all those millions of dollars that go out of our community, out of our traditional lands, has not been recognized. That's why we're saying it's not a best effort. We have to put our best effort to this mediation agreement.

1740

Just recently we had some Japanese come up and visit our community. It was to do with mercury contamination of fisheries. If at all possible, why don't we just open up commercial fishing again? Lift the ban on our community. Lift the ban off commercial fishing. Give us our livelihoods back.

In closing, I just wanted to say that we have to sit down with Wabaseemoong and look at this really closely, look at the resource benefit-sharing that's going on right now. We believe it needs to be reviewed.

Finally, I just want to acknowledge this opportunity giving me a chance to speak on behalf of Wabaseemoong.

The Chair: We have about two minutes per caucus and we begin with the NDP.

Mr Hampton: Thanks, Ron. What I'd like to ask you is this: The primary focus of this bill is what will happen north of the 51st parallel, where to this point there has been very little development—very little mining development, very little forestry development and very little hydroelectricity development. What I think I heard you say is that the way some of these development issues have been handled south of the 51st parallel, when it comes to First Nation interests, has not been very good. It's been quite unfair. Is that a fair assessment?

Chief McDonald: Yes.

Mr Hampton: I want to just relate to you another example and you can tell me if this accords with your knowledge of the history as well. When I was growing up near Fort Frances there used to be a sawmill on Couchiching First Nation, and most of the people who worked in that sawmill were from the First Nations. There were also some people from Fort Frances who worked there. But when we started to run out of red pine and white pine, that sawmill closed down and they built a kraft pulp mill instead that uses mainly Jack pine. When you cut down the red pine and white pine, the Jack pine will take over unless you do something. What happened when they closed the sawmill down on Couchiching is that most of the First Nations people lost their jobs. When they opened the kraft mill in Fort Frances, hardly any First Nations people got a job.

The other thing that happened was, we used to drive the wood down the rivers—and you'd know this. Wood would come to the Kenora mills across the Lake of the Woods or down some of the rivers. Then we changed the

rules and said, "You're not allowed to do that any more," and most of the wood is trucked to the mills. In my living memory, a lot of the people who worked on the wood drives were First Nations. A lot of the people who actually drove the wood down the rivers and worked on some of the tugs were from many of the First Nations. But when that rule changed, partly because of technology, partly because of environmental rule changes, the people who lost their jobs were First Nations. I saw very few First Nations get jobs as truckers. Is that a fair assessment?

Chief McDonald: Yes.

Mr Hampton: Would you say we should repeat that development model that happened south of the 51st parallel as we go forward north of the 51st parallel or would you say it would be a bad idea to repeat that development model?

Chief McDonald: It is a bad idea. For example, right now, at present, we're in negotiations with Weyerhaeuser. I would say we would have to really think about it if we're going to go north. The experiences we've had are very weak. They haven't been good. So I wouldn't want a repeat of history again. I think that should be really seriously looked at if we're going to go away from our area. What we went through was not very good.

The Chair: We'll move to the government.

Mr Colle: You said that perhaps one of the solutions is to reopen the commercial fishing. That was the historical way of making a living for all the First Nations people. At what state of mercury contamination is the stock in the rivers and lakes? Has anybody done a recent assessment?

Chief McDonald: Yes, McGill University conducted a survey of most of the fish that we eat. There was a preliminary result; it hasn't completely been done yet. So we're still waiting for the results, although at this point an interim report was made that it was safe to a certain level. But there is another study by Health Canada, and the Japanese are also going to come forward and show their recommendation.

Mr Colle: So the Japanese were also doing this analysis of mercury?

Chief McDonald: Particularly with residents of Whitedog, yes, and Grassy as well.

Mr Colle: So those studies are not complete?

Chief McDonald: No.

Mr Colle: They're still underway?

Chief McDonald: Yes.

The Chair: We'll move to the official opposition.

Mr Barrett: Chief McDonald, you've certainly made your request for this five-year review through Hansard,

and I would hope the government would respond to that; and second, if there is new research, to take a look at the commercial fishing ban as well.

This proposed legislation talks about revenue-sharing agreements with individual First Nations groups where there is new development. Much of the discussion today has been around the principle of revenue-sharing. I'm wondering, with certain native communities, where perhaps much of the existing resources have been tapped out, so to speak, is there a case to be made that through legislation we're going to bring in some unfairness or some inequity? Where things aren't happening as far as new forest development, new mills or new mineral exploration, certain communities may be losing out and other communities would reap the benefit. Do you feel there should be a structure proposed or a mechanism for the sharing of future revenue among other native communities beyond those communities adjacent to new development or new exploration?

I think the example of Casino Rama located in a particular native community. I understand there is a fund or a mechanism that distributes part of those profits to other communities that aren't even close to that area. Do you think that principle has merit in Ontario? Is it a good idea?

Chief McDonald: Yes, it's a good idea, but first, in the south and where I'm from, they haven't even finished dealing with us yet and now we're looking north. I think we should try and resolve some of these issues in my area first. For example, we just recently started a hydro commission at the community level. We want to be equal partners with the Hydro One commission of Ontario in terms of corporate status. The band members elected these people to be on this hydro commission and we want to negotiate government-to-government, whether it's the province or the feds. We want to have the ability—for example, the forestry. I think the prorating of resource benefits-sharing by all treaty nations, 28 bands from Treaty 3, would be a good thing to look at—change the way we look at resource benefits-sharing. For us, we're not making any profits for all the lands, waters, trees, rocks. We're not benefiting at all.

Mr Barrett: You've made your particular case, and it has been recorded by Hansard. I would ask that the present Ontario government respond to those several issues that you've raised, those local issues.

The Chair: Thank you for your presentation.

Our last presenter at 6:10 will be providing a written brief, so that concludes the hearings for today.

This meeting stands adjourned.

The committee adjourned at 1751.

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Standing committee on finance and economic affairs

First Nations Resource Revenue
Sharing Act, 2004

Comité permanent des finances et des affaires économiques

Loi de 2004 sur le partage
avec les premières nations
des recettes tirées
de l'exploitation des ressources

Chair: Pat Hoy
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Tuesday 21 September 2004

Mardi 21 septembre 2004

The committee met at 1336 in Missabay Community School, Mishkeegogamang.

FIRST NATIONS RESOURCE REVENUE SHARING ACT, 2004

LOI DE 2004 SUR LE PARTAGE AVEC LES PREMIÈRES NATIONS DES RECETTES TIRÉES DE L'EXPLOITATION DES RESSOURCES

Consideration of Bill 97, An Act respecting the sharing of resource revenues for First Nations / Projet de loi 97, Loi concernant le partage avec les Premières nations des recettes tirées de l'exploitation des ressources.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. The committee is indeed pleased to finally be here. I apologize on behalf of the committee. Some of us were at a different location; we were dropped off and our rides left. So we had to find the good people who worked at the Safe House to give us a ride over here, and we appreciate their help.

Mr Gilles Bisson (Timmins-James Bay): You guys were fishing.

The Chair: No, we were not fishing.

We're pleased to be here. Once again, I do apologize for being late.

MISHKEEGOGAMANG FIRST NATION

The Chair: I'll ask our first presenter, Chief Ronald Roundhead, to come forward, please. Good afternoon. You have half an hour for your presentation. You might leave time for questions, if you wish, within that half hour. I'd ask you to just simply state your name for the purposes of our recording Hansard.

Chief Ronald Roundhead: It's funny. I was out in my traditional territory for the last couple of days and then two hours ago I was still in my land, hunting and exercising my rights, and that's where I'm going in the next couple of hours.

I guess first of all I'd like to welcome everybody here to Ojibway territory. Our community is called Mishkeegogamang. I just want to thank everybody for coming in to listen to our concerns and our wishes. I'd also like to welcome this opportunity to recognize the panel and

membership of the standing committee of the Legislative Assembly of Ontario on finance and economic affairs.

Meegwetich. I welcome you. Hopefully you will take our messages and our wishes to the rest of your colleagues in the Legislature.

While I'm here, if my council members want to say anything at this minute, I will recognize them. Councillor Thomas Wassaykeesic. He's a band council member. His portfolio is economic development. And also Mr David Masekeyash—I'll recognize them if they would like to say something.

Mr David Zimmer (Willowdale): On a point of order, Mr Chair: Could we just take a moment to adjust the microphones? I can't hear a thing.

The Chair: The staff are working on the sound. It's difficult to hear. I don't know how the mechanics of this work, but if we can turn it down enough that it's recorded, we don't really need it to hear ourselves around this table. There's an echo effect. I suspect my voice is very hard to understand.

Chief Roundhead: We have at least two dozen copies of our talking notes. We'll be handing them out after.

On July 5, 2005, 287 days from today, September 21, 2004, we will be marking the 100th anniversary of the signing of Treaty 9. Handled properly, this could be a celebration as opposed to a mere marking.

Reflecting on the last 100 years, we, as the original inhabitants of this vast land in northern Canada entrusted to our forefathers to protect and preserve for the benefit of future generations, have much to consider in an effort to employ a reasonable level of course correction so that 100 years from now our children could actually be living the promise of Treaty 9.

Our interests in northern Canada are not restricted to our reserves. Surely, our rights in the reserves are more substantial, but as to our traditional lands, we have continued use and occupation, as well as resource interests in these areas. Also, our obligation to protect these lands continues. There is no point in the courts of Canada or Ontario confirming our rights "to hunt and fish as usual" unless there is recognition that the waters must be preserved to allow for fish and the land must be maintained to allow for hunting.

This brings me to the substance of my submission on behalf of the Mishkeegogamang people. Our ancestors did not think 100 years ago that we would ever have to rely on the courts of this country to confirm that when

our rights on reserve or within the boundaries of our traditional lands were infringed we would be entitled to be properly compensated. This was not only our joint clear understanding of the spirit of Treaty 9, but had it been different, our forefathers would probably not have taken the treaty.

We did not think, 100 years ago, that when the crown put itself in the position of our great mother—or father—it would do anything other than act in our best interests, consistent with the treaty understanding of sharing and not domination. The requirement for full disclosure should not have been the subject of any court decisions. This was embraced in the treaty. Our forefathers signed Treaty 9 not to give away all of our rights in these lands but to develop a sharing mechanism as we moved forward as two distinct peoples, starting from different places but with a common destination. This was the concept of two-band wampum. Accordingly, and to the same extent that Mishkeegogamang, or indeed any or all of the First Nations gathered here, we do not presume to change the words and spirit of the treaty unilaterally, but neither did we expect that we would have to take the crown to court to confirm its duty to meaningfully consult with us when our interests are in any way impacted.

We are now invited by one aspect of the crown to make presentations to the standing committee on finance and economic affairs. We have to be careful that this is not a double-edged sword which serves mainly the interests of the dominant society. We are again asked to operate in an environment which is not consistent with our customs and traditions of discussion and consensus and to work within rules that were developed without our input. We must be careful that, by attending these meetings, we do not give the governments of Canada and Ontario the excuse to later claim that we have been consulted and that such consultation is reflective of our unqualified approval of Bill 97. Surely, we seek participation and sharing in the profits from the resources of these lands which are now being depleted on a daily basis. Surely, we grieve the disregard and exploitation of our lands by the forestry and mining interests, but if this has to be a part of progress and the direction in which the world is moving, we cannot be out of step. However, we can and must get together among ourselves and, employing our way of doing things, demand a right of involvement and just and reasonable compensation on terms which take into account our customs and heritage.

All this is to say that it is the belief of the Mishkeegogamang that the time has come for all of us here—elders, chiefs, councillors and members of the First Nations families—to strive for a more comprehensive set of meetings with Canada and Ontario for the purpose of revisiting the covenants of 1905 and charting a course which, hopefully, would include us in the prosperity of this land and allow us to go forward as equals with full capacity to enjoy the reasonable benefits of these lands which, when embraced by the treaty, appear to carry all of the above as conditions and solemn promises to be taken seriously.

It is not good enough for us as First Nations people to be pursuing individual interests. Mishkeegogamang prefers that the First Nations families sit as a council employing our tradition of decision by consensus and presenting a united and comprehensive position to Canada and Ontario that will not be unfair but will be respected and have the built-in flexibility for change from time to time.

Our experiences over the last 100 years of treaty have dictated that we must be vigilant.

That's my presentation.

The Chair: Thank you. We have about six minutes per caucus. We'll begin with the official opposition.

1350

Mr Norm Miller (Parry Sound-Muskoka): Thank you, Chief Roundhead, for your presentation today. It's a pleasure for the whole committee, I'm sure, to visit your land first-hand and see what things are like. Personally, it's my first time here at your home, and I think it's important to get out and see things first-hand, to get an idea of what life is like for you and what living conditions are like for you as well. So it is a real pleasure to be here at your home.

Driving in today, I can't help but be struck by the contrast between the living conditions of your homes and this beautiful facility we're in today. I know from the presentations yesterday that many of the chiefs and deputy chiefs were saying that a goal of revenue-sharing is to be self-sufficient and to improve living conditions.

My question is, where is the federal government in this whole scenario? It seems to me that the federal government is the party that negotiates and has a role to play in this process. Do you have any comments about that at all?

Chief Roundhead: The only comment that I would raise is that, next summer, July 6, we'll be acknowledging the relationship that we had years ago, which is your grandfather and my grandfather. When they signed the treaty, it was meant from our side that we were supposed to share. I'm looking forward to the federal government to understand their obligations. That's our position.

Mr Miller: Thank you. I'll look forward to speaking with you afterwards as well.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Certainly, in discussions that we've been having around revenue-sharing agreements between a company and a particular native community nearby on new forest development or new mining development, it raises a question in my mind of whether there should be a mechanism for sharing across all of the native communities, or sharing just with the closest native community. Which way should we go on that?

Chief Roundhead: Just to answer that question briefly, in my understanding as a spokesperson for Mishkeegogamang Ojibway people, I'd like to see this community benefit within its traditional territory, as our traditional territory goes as far as Pipestone and also as far as the CN tracks. That's our traditional territory, but

that doesn't mean my rights don't exist beyond Treaty 3. As a matter of fact, my rights exist as far as the tip of the Ojibway tribe, which is Minnesota and also Manitoba and also as far as Manitoulin. That's the Ojibway territory, the Ojibway tribe.

As I speak, I know that the grand chief will voice some kind of mechanism, because I know that when I took a glance at the agenda, I saw the grand chief's name on it. He's going to address your question.

On the flip side of it, I'm happy to come up with a mechanism for how to address our needs as Mishkeegogamang people when it comes to revenue-sharing.

The Chair: We'll move to the NDP and Mr Bisson.

Mr Bisson: I just have a couple of quick questions. I know that Howard has a couple of things he wants to ask. I just want to be clear. If I understood what you said in the gist of your presentation, you have no problem with the concept of revenue-sharing. What you're saying is that the relationship to the existing treaty cannot be undermined. Is that what you're basically saying, or did I misunderstand?

Chief Roundhead: Yes. Because the treaty itself, to this community, is a very sacred document. It's a living document, because at that time, when Missabay signed the treaty, he did not open up for supper or dinner a can of Klik. That's the reason why I'm saying the treaty itself is very sacred.

Mr Bisson: There has been a fair amount of activity with forestry companies and others in this area. Have you benefited directly from any of those activities, either by way of revenue or jobs or whatever other economic spinoff?

Chief Roundhead: Today, as I speak, we haven't received any benefits from forestry, mining and so on. We'd like to benefit from them so that we can address the needs of our people when it comes to poverty.

Mr Bisson: What percentage or numbers of people in your community actually work in the nearby industry?

Chief Roundhead: Off the top of my head, I would say about 2%.

Mr Howard Hampton (Kenora-Rainy River): I want to ask some historical questions. Maybe you can confirm or set me straight on some things.

My understanding is that a number of the water bodies here had the direction of their flow changed for the purposes of generating hydroelectricity. This happened, I gather, 30 or 40 years ago. Is that true?

Chief Roundhead: Yes.

Mr Hampton: As I understand it, that resulted in Ontario Hydro being able to generate significant amounts of electricity.

Chief Roundhead: Yes.

Mr Hampton: Has your First Nation ever received any recognition of the changing of the flow and the impacts on your community, in terms of reparations or compensation?

Chief Roundhead: Not at all. The only recognition that we have is the recent settlement we have with Ontario Hydro. But that was only based on a past grievance.

Mr Hampton: You've never shared in any of the revenue from the generation of electricity?

Chief Roundhead: No. Not at all.

Mr Hampton: Has your First Nation been approached in the last four or five years by any forestry or logging companies to express their interest in possibly beginning logging operations, road-building operations or forestry operations in the future?

Chief Roundhead: No. Right now they're just beginning to focus on this community. It's more like a raven or a crow approach, you might call it.

Mr Hampton: Can you describe that for us?

Chief Roundhead: They always hang around at our office or the band office. That's my description of it.

Mr Hampton: But they are indicating that they want to start accessing timber in your territory?

Chief Roundhead: Yes. They are indicating.

1400

Mr Hampton: I just did some quick calculations yesterday. I asked legislative research to determine how many ounces of gold have been mined out of the Pickle Lake area, and then did a quick conversion. If that gold had been left in the ground, in rough figures it would be about \$1.5 billion in today's prices. About \$1.5-billion worth of gold has been taken out of the ground in the Pickle Lake area. Did your First Nation ever have a chance to share in any of that revenue?

Chief Roundhead: Not at all, no.

Mr Hampton: I have a final question. Does your community want to have the chance to share in those revenues?

Chief Roundhead: Yes. That's the reason why our ancestors and your ancestors signed the 1905 treaty. It was supposed to be a sharing approach.

The Chair: We'll move to the government.

Mr Mike Colle (Eglinton-Lawrence): Chief, I am very impressed with the success that you and the Mishkeegogamang First Nation had; that you've built this beautiful, spectacular community school, which is certainly most impressive. I see that you also put in a sewage treatment plant, just completed. I want to congratulate you and the band and all the members of your First Nations people for those two accomplishments. I think you deserve a lot of credit for getting, in this case, mostly the Department of Indian and Northern Affairs to contribute that money into the community. So you must be commended for that. It's a great achievement, and this is a living testimony to that.

What is your next major project or initiative that your First Nations people in the Pickle Lake area want to achieve? What is your next dream or goal?

Chief Roundhead: My next dream and goal for this council and also for the next council to come is to develop a revenue-sharing mechanism so we don't have to rely on the handouts from the government and also the provincial government.

Mr Colle: In terms of the prospects, if we get to revenue-sharing, is the potential in forestry or is it in mining? What do you see? Or is it both?

Chief Roundhead: Mining and forestry and anything that occurs within the Mishkeegogamang traditional territory.

Mr Colle: Is there anything else besides mining and forestry that has potential for revenue-sharing?

Chief Roundhead: Economic development and also tourism, eco-tourism, and any development in our area. I'd like to secure a percentage so the next generations would benefit from it.

Mr Colle: It's quite clear that you're saying you don't want to depend on the handouts from any level of government. You would want to ensure that you've got a good, hard contract arrangement, whether it be mining, forestry or a tourism entity, that you're a partner from the ground up in ensuring that a fair share of those resources stay here, that that be in place rather than depending on the largesse of government.

Chief Roundhead: I'd like to make sure that the treaty stands. I'd like to make sure that the federal government and the provincial government don't get away or slither away on their own. But in the meantime I want to make sure that companies like Bowater and Musselwhite and so on—I'd like them to at least share something with us, our resources.

The Chair: Thank you very much for your presentation.

NISHNAWBE-ASKI NATION

The Chair: I would call on the Nishnawbe-Aski Nation. I'll go through the formalities once again that you have half an hour for your presentation. You might leave time for questions if you wish. We'd ask you to state your name for the purposes of our recording.

Grand Chief Stan Beardy: [*Remarks in Oji-Cree.*]

Again, good afternoon, Mr Chairman and members of the standing committee, Chief in council, elders, women, children and youth of the Mishkeegogamang First Nation. I am very happy to be here this afternoon to speak to the committee. I think what makes it really interesting is that you will have an opportunity to see first-hand what we're talking about when we talk about the impacts of resource development on our people. Mishkeegogamang happens to be one of the communities that has been directly impacted by resource development. They have a highway through their reserve. They have many activities. On their traditional territories, basically they've been displaced.

Yesterday I had the opportunity to listen to the presentations. I listened to the First Nation presentations. I listened to the presentations by the industry, the mining companies and the forestry companies, and I listened to the comments by the opposition, the NDP and also the government. I'm hoping that in my comments today, I'll be able to offer some further clarification and also to compliment some of the comments that were made yesterday.

I don't want to be overly critical of the comments made by the industry. However, I want to make a note

that when I look into the eyes of my children, my youth of Nishnawbe-Aski, and when I look at the statistics in terms of the number of young people we've lost to suicide and violence, I think it's really important to understand the hopelessness that is there with my young people. I do appreciate the efforts of the industry on their own to work with my people.

Regarding the treaty, I was really delighted to hear the many industry comments related to the need to address revenue-sharing based on a government-to-government approach. We wholeheartedly agree that it is inappropriate to pass this responsibility off to industry, as has been done for so many years now. When we talk about this kind of approach, it is important that the committee understands where we are coming from at the outset—my people, the Nishnawbe-Aski people.

We talk about the treaty as being as valid today as it was when it was signed almost 100 years ago. To my knowledge and to the knowledge of my people, there has never been anything in the last 100 years that has given us any reason to believe that the treaty does not apply. It is our understanding that the arrangement we made with the crown 100 years ago still stands today.

1410

The treaty we made was one of relationship. We agreed to be peaceful with the settlers. We agreed to share our natural resources with the settlers. But we also agreed that we would share in the benefits and the wealth that was created from our natural resources. It's the third point that we're talking about today.

Having said that, it is important that this process is not viewed as one which looks at it as providing First Nations a favour, nor should it assume that First Nations believe we surrendered the land.

I know that the question of land ownership will raise some serious differences in opinion between yourselves and our people. After all, it has been over 100 years that Ontario has been thinking that the land and its resources belong to the province. It is now almost automatically assumed. We have paid a price for this for too long.

Many children of Ontario have been raised to believe this misconception that the land belongs to Ontario. Many children do not know about the significance of the treaties. It is why there is mass confusion today. Some of you may very well be those children who were taught from a young age that the land was supposedly surrendered by the treaty.

I think it is important that we understand here the sacredness and legality of the treaty document, which is very much alive and pertinent to these discussions.

I think that over time the confusion over the land question will become more clear when we begin to see more and more First Nations bringing historical evidence to confirm otherwise. Some of those are happening right now, such as the Rupert's Land case.

For Nishnawbe-Aski Nation in particular, over the past number of years we have been conducting various historical/legal research projects to investigate title to the water. We are told that strong legal evidence exists which

supports our position that the water and waterbeds were never surrendered. We have put this position forward in Ontario's new policies related to water; more specifically, the new water source-based protection and water power legislation. We are waiting to see what the next move will be.

Our elders have been telling us for years that title to the water is ours. But because it is not backed up by a court of law, the status quo is to go on with the belief that the water and the land do not belong to the Indians and can be exploited to the benefit of everybody else except the Indian people.

It is only a matter of time before we begin to assert titles such as this. Maybe only then will Ontario begin to understand that we agreed to share the land but we never agreed to give up our natural resources, nor title to the water.

As you know, this will have many implications for a number of industries, especially hydro developers.

So when you hear First Nations talk about wealth distribution, they're talking from this very perspective: that we never surrendered the land or natural resources, and that we agreed to share in the development and also the benefits realized from those developments, as if the promise our forefathers made when they signed the treaty was never broken.

It is with this understanding that the committee must be approaching their deliberations. Anything less is plain and simple tokenism and paternalism. I believe each and every one of the members of the committee must be asking yourselves, "From what position do I start?" I firmly believe that there needs to be a process of dialogue to come up with a common understanding, which is why this bill needs to be seriously looked at. We believe there has to be ongoing dialogue of this nature with Ontario to come up with a common understanding.

The 49 chiefs that I represent are very much concerned because our youth are running out of patience. For the last 100 years, our natural resources have been exploited while everybody but us gets rich. My chiefs have given me a clear direction that in the next 100 years this situation must change.

Yesterday, we listened to the industry paint a very positive picture with respect to their efforts to work with First Nations. I believe they're trying their best on their own efforts, but my question would be, if everything is as good as they say it is, why are First Nations people still marginalized? Why are we at the margins of society, still living in Third World conditions in a country like Canada, our province of Ontario?

It is for this reason that I ask you to take their comments with a proverbial and very large grain of salt. Industry basically is in business to protect their bottom line. As a representative of the people, the Ontario government cannot do the same and must be able to distinguish the difference. The native people's situation must be looked at seriously. Ontario, I believe, many times is more concerned with accommodating a prospering industry rather than the ailing population of its

aboriginal peoples, especially when they have at their fingertips an opportunity to provide solutions that can rectify the situation or set the stage for a compromise and develop a win-win solution for everybody within Ontario.

Had First Nations been given the opportunity to respond to yesterday's presentations, I can guarantee you that there would have been a large disparity between the views of the industry and the First Nations. I don't think it's at all surprising that they speak of these half-truths as a matter of fact. Canada does it itself at the international level, boasting of supposed fair treatment of Canada's aboriginal peoples. This was recently evidenced at the latest United Nations forum on forests, where Nishnawbe-Aski, in conjunction with the Indigenous Network on Economics and Trade, had the opportunity to debunk Canada's portrayal of aboriginal peoples. I would be most pleased to share our submission to the United Nations with this standing committee for your information.

1420

There are many barriers that exist that limit our participation in the various resource industries, such as that of unionization requirements of grade 12 and five years' work experience. It is very difficult for my people to meet these stringent guidelines when they are inappropriate to us, given the fact that, as I presented yesterday, the mean education for my people is grade 9.

When I look at term and condition 77 of the Crown Forest Sustainability Act, it's supposed to be the mechanism to increase First Nations participation in forestry. I believe that has not been implemented and, for the large part, has been completely unsuccessful. When they are the ones who hold tenure to the land through sustainable forest licences, it is difficult for us to move forward. In short, these mechanisms are not working for us. We need something with a broader scope, something like revenue-sharing. What needs to go hand in hand is capacity development at the local level for my people.

For the most part, yesterday we heard industry say that they are not opposed to the concept of revenue-sharing on a government-to-government basis as long as it does not negatively impact them. We don't believe that it necessarily has to, to any large extent, if the Ontario government can commit to finding ways to make it that way. So long as the First Nations get an equitable share of the resources, we would be open to looking at ways this can be accomplished.

Yesterday there was some confusion between a comprehensive revenue-sharing agreement and agreements that are already being negotiated between industry and First Nations. I think it's really important to know that IBAs are a relatively new phenomenon occurring in my territory and that it should not be boasted that a lot of these IBAs are anywhere near what First Nations deserve in the first place.

First Nations want revenue-sharing on top of impact and benefit agreements. We see revenue-sharing agreements as a service to the collective, as IBAs are a service

to individual communities or a group of First Nations, where impacts to aboriginal and treaty rights are being produced by any given resource activity.

While it could be seen that Ontario may not play a large part in the negotiation of IBAs, they do need to implement measures to ensure that they are fair and equitable. We propose that this be done through legislative measures but not like those that have been passed in the past, such as term and condition 77. Industry must be given stronger penalties for not playing fair with us.

Yesterday one of the chiefs who made a presentation, Chief Kenequanash of North Caribou Lake, made an important point about the impact that resource development is having on our livelihood. He said that it is more than gold that is being extracted from our lands.

This point relates to the core of revenue-sharing for my people. All too often, we have seen the damages caused by resource development from the pond tailings of mining, the mercury contamination of our waters, to the point where any prospects of commercial fishing are wiped away in floods caused by hydroelectric development.

If we must be the ones who ultimately have to live with sacrifice caused by industry outside of ourselves, then we should at least gain adequate remuneration for this, for being forced to move from our tradition-based activities to a tax-based economy.

Even the education system is working against our core values and takes away from our ability to pass on our traditional survival skills to our young people, skills for which we are here before you. The education system does not allow our young people to develop traditional skills to survive on the land. In the education system, as I mentioned yesterday, the dropout rate of my young people is very high, so they're not in a position to succeed within that system.

Where Ontario plays a greater role in determining the revenue stream for industry is in the scenario of the tax-based economy, they have already indicated that they could care less about where their taxes go as long as they don't have to pay twice. Here we're talking about how we see revenue-sharing taking place. We're talking about Ontario developing a mechanism where the Ontario government would be sharing a tax base with the First Nations.

First Nations need to gain access to this kind of economy. We need to create one for ourselves. At the present time, on average, First Nations have only 5% value-added, which translates to about 90% of our existence being dependent on some form of government transfer payments. Therefore, we can draw the conclusion that my people don't have an economic base at the present point in time.

We have been reiterating that we support this bill in principle and it is a good start to have this dialogue. We will depend on you also to take our message to the rest of Ontarians. They need to know the social costs we pay for this inequity. They need to know that it is breeding frustration among the young aboriginal people. We need to figure out together how we can move forward.

We have to look at collective benefits for all the people of Nishnawbe-Aski. It is critical that we have a share in the tax base. We need to come up with some kind of formula, and it must be in conjunction with the First Nations people.

If municipalities can benefit from this type of system, why are First Nations being treated differently? If we are able to develop some kind of mechanism where we generate revenue, it cannot mean that programs and services should be reduced. Municipalities do get support from both levels of government, and I believe that we should continue to have the same. Because we have been shut out of the economy for the past 100 years, for the next 20 to 30 years we will need a massive infusion of resources to catch up to the rest of the province.

The Indian Act has also created our isolation and demise. You need not only look at the residential school system that destroyed our family units and ultimately our community's sense of wellness.

We were asked yesterday about the models that we would propose for revenue-sharing, and we told you that across Canada we already have models that can be explored. I am sure that those First Nations that are involved with those arrangements with other provinces or territorial governments have put a lot of effort into determining what a fair share looks like. I believe that's where we need to start looking.

There was also a lot of talk yesterday about the bill as it currently stands. It contains a lot of unknowns. I believe this is not any different from what my people are thinking about at Nishnawbe-Aski, that at the very least we view this bill as a starting point and that these discussions must continue. I believe that it is now time to address these uncertainties. We now know some of the positions of the First Nations and industry, so let us use these comments to move forward with something that is fair and equitable for all the people of Ontario and Canada. Meegwetich.

1430

The Chair: We only have time for one round of questioning, and this will go to the NDP. Mr Hampton, you have about four minutes.

Mr Hampton: Grand Chief Beardy, I want to thank you for your comments because I think they summarize much of what we heard yesterday.

I just want to go over a couple of things. We heard some people criticize the individual elements of Bill 97 yesterday. I think what I heard you clearly say is that you see Bill 97 as the opening round for discussion and that there are lots of models of revenue-sharing already out there that you want to discuss with Ontario. Is that a fair—

Grand Chief Beardy: Yes, that is correct.

Mr Hampton: The other point I think I heard you say clearly is that there need to be individual agreements between mining companies and logging companies where they are doing business-to-business relationships with First Nations or where there is going to be an impact on aboriginal or treaty rights. Those often are being

worked out now. In some cases they're being worked out well; in other cases they're not being worked out as well. But that's a different issue from revenue-sharing. Revenue-sharing is government-to-government. First Nations are quite willing to sit down with the Weyerhaeusers of the world, the Buchanans of the world, the De Beers of the world, to work out business-to-business relationships, but those two things shouldn't be confused because they are different. Is that a fair assessment?

Grand Chief Beardy: Yes, that's exactly what I'm saying. When we talk about individual business deals with the companies, we're talking about opportunities, we're talking about employment and training for the directly impacted people in the region, we're talking about business opportunities, economic spinoffs from that undertaking and, also, if they're in a position to talk about profit-sharing, that's what individual communities are discussing, that's what they're arranging with the industry at the present time, and that's why I'm complimenting the industry for their own efforts to try to work with us in that light.

When we're talking about revenue-sharing, we know that the Ontario government takes a lot of taxes out of the activities that are happening within our traditional territories, and I think that's what we need to look at on a government-to-government basis: How do we share the wealth that comes from our territories with the government of the land?

Mr Hampton: I just want to ask you one final question, and you correct me if I'm wrong. If I were to survey what I've seen happen over the last 10 or 15 years, there are some very good companies out there. There are some companies that I think have a forward-looking vision; they work with First Nations. There are also some companies out there that I would call, for lack of a better term, fast-buck artists. They're interested in making money quickly. If they can get on the landscape, exploit, get off the landscape and have a minimal economic relationship with First Nations, they're quite happy to do that.

What I think the government of Ontario also needs to look at—and you correct me if I'm wrong—is working with First Nations to set up either a code of practice or something that says, "If you're a company that wants to do business in NAN territory, you've got to meet some standards. You can't just be on the landscape quickly, exploit the resources and then leave." Is that a fair assessment?

Grand Chief Beardy: Yes. I think there has to be some mechanism in place developed by the government in conjunction with the First Nations people to talk about some policy or regulation about how industry should be doing business with us, and if they fail to follow the procedures as laid out and agreed to, there has to be some kind of penalty.

I agree that we have some good companies that are making a sincere effort to work with us, and there are some companies that will continue their practice of 100 years and continue to exploit us. I think there has to be

some policy, some regulation that provides certainty for those companies but at the same time provides some consistency so that people know what the rules of the game are in engaging with us.

The Chair: Thank you for your presentation.

ONTARIO PROSPECTORS ASSOCIATION

The Chair: I would call on the Ontario Prospectors Association to please come forward. Good afternoon. You have 30 minutes for your presentation. You might leave time for questions if you so wish, and I would ask you to identify yourself for Hansard.

Mr Patrick Reid: I'm Patrick Reid, and I am going to give the Ontario Prospectors Association response to Bill 97. Unfortunately, Gary Clark, the executive director, had a death in his family and was unable to attend. As a former director of the Ontario Prospectors Association, I'm going to give the presentation. The good news is that it will be relatively brief.

Mineral exploration activity in Ontario commenced prior to the influence of the European settlers and traders. First Nations people sought out chert, silver, copper and other rocks and minerals to assist in their day-to-day lives. So prospecting and mining go back a long way in Ontario's history.

The Ontario Prospectors Association is a member-driven group that advocates for the explorers of the province. These are usually one-, two- or three-person firms with limited funds that go out and stake ground and then try and sell it to the next tier in mining, which is a junior mining company that has a little more money to do the advanced exploration like drilling and sampling and assaying. If a mine is found, then it usually is dealt to a producing mining company that has the financial and human resources to develop the mine.

Last year, in 2003, Ontario had 7,344 active licensed prospectors, and staking across the province totalled 59,468 units—that's about 16 hectares—at a unit cost of \$90, which amounts to \$6.4 million in staking. In 2002, there were approximately 400 active junior exploration companies, 25 mines operated by various-sized companies and three multinational companies operating 15 mines.

The mining industry is not homogeneous any more than the First Nations, each one of them, are homogeneous. Every one is different and diverse.

I want to remind the committee and the audience that in fact mining is a very risky business. As you've driven by and flown over northern Ontario, you've seen the trees. You can count the trees, you can tell what kind of trees they are, you can measure the trees and you can come up with how many trees of each species you can find, sell and what you're going to wind up with at the end. In mining, you don't know where the mines are. You have to go out, you have to prospect, you have to get on the land, you have to break rocks with hammers. We have very sophisticated equipment now for identifying where mineral deposits are, but, as somebody once said,

buying a lottery ticket might be a better chance of hitting it.

1440

Just to give you an example, if you started with 10,000 grassroots properties—that is, those explored predominantly by prospectors and junior mining companies—exploration at this stage would compromise prospecting, sampling, geophysics, stripping, trenching and geochemistry. Commonly, expenditures would range from \$50,000 to \$200,000 per property.

Now, 1,000 of these examples would produce 10 drill targets. That's where you bring a drill on a property and drill into the rock to see what kind of minerals and ore grade you have. Expenditures at this level could range from \$200,000 to millions of dollars.

Of those 1,000, one or two of the properties on which drilling results indicated the potential for economic mineralization would proceed to a feasibility stage. Usually, this is completed by large juniors or multinational companies. This step would mean the expenditure of millions of dollars to prove the viability of economic mineral production.

After you've gone from 10,000 starts to 1,000, one or two of these might possibly wind up as mines—maybe one, maybe none—and if you found a mine after starting with 10,000, this would mean an investment of anywhere between \$40 million and \$200 million to place the mine into production. Depending on the commodity and the size of the ore body, there is usually a move by one of the larger mining operators to take control of the mineral property to build and operate the mine.

The timelines from prospecting to bringing the mine into production can be up to 10 years. In that time, there is no revenue flow coming to either the prospectors, the junior mining company or the mining company that ultimately develops the property.

The prospector or the small junior mine sets out a budget to explore a piece of property, and that money is spent over time. At the end of the exploration, if there isn't anything worth following up, that's the end of the project and that's the end of the prospector's money.

Over the last 20 years there has been a change in the method of operations by explorers on crown lands that are also defined as First Nations traditional lands. There's a growing appreciation of the sense of who is affected by the exploration. Consultation prior to exploration has become common. Frequently asked questions related to working on traditional lands by prospectors are:

- (1) How do you identify the traditional land users?
- (2) How do you consult, with whom and when?
- (3) What would be committed to at the exploration stage? As exploration is a one-way flow of exploration dollars into the land, how can the community benefit?

(4) What are the expectations of the user of traditional lands where there is no revenue derived from the land until production? Some of the benefits usually come from supplies and services that can be obtained in the native communities.

(5) What are the various thresholds in determining benefits in any long-term agreements? Different-sized explorers can afford different agreements. Therefore, agreements are not the same across the landscape.

(6) When should the affected parties enter into an impact and benefit agreement? Grassroots or early-stage explorers need to be careful not to commit to agreements that can't be supported by the production of a mine. If a group has requirements that are too stiff, a marginal or small mine may not make financial sense.

In conclusion, some comments on Bill 97: The exploration and mining community are attracted to Ontario by the quality of geology, the stable political environment, a fair Mining Act, and a transparent taxation system. When explorers are looking to invest in an exploration project, they look at the certainty to be able to eventually mine with no hidden taxes or costs downstream. Just to remind you, there is nothing that can move faster than an investment dollar around the world.

The Ontario Prospectors Association has reviewed Bill 97 and has found the definitions and statements to be vague and not completely defined. This leaves some uncertainty of the end product. This could be addressed by forwarding the project on to the multipartite Ontario Mineral Industry Cluster Council for closer review and discussion.

The concept of revenue-sharing is already being practised on a project-by-project basis as new mines are planned in the province. The mining industry presently pays the Ontario mining tax, which benefits all in the province. Revenue-sharing within the concept of Bill 97 should be restricted to new mines and be taken from the taxes already paid to the province.

At present, explorers and mining companies enter into socio-economic agreements with northern First Nations communities on a project-by-project basis. One of the largest hurdles the companies face is the determination of whose traditional lands they may be exploring. Bill 97 makes the traditional land definition more vague than at present. Government and First Nations communities need to define the traditional lands and produce a map that provides contact information for the stewards of the traditional lands.

That's the presentation. Meegwetich.

The Chair: In that you're presenting on behalf of Mr Clark, are you prepared to answer questions on this?

Mr Reid: If I can. There may be some, particularly of a technical nature, that I can't.

The Chair: Then we have about six minutes per caucus, and we'll begin with the government.

Mr Colle: Mr Reid, where do these prospectors get their start-up capital? Would they attract investment dollars, or are they aligned with mining production companies?

Mr Reid: A lot of prospectors have what's called a grubstake from the next tier up—junior mining companies that might be listed on Toronto's venture exchange—where they can raise public monies. They would often hire prospectors to go out and prospect

certain areas if they think there's something there. On the other hand, they may do it on their own and then try and deal the property to the next tier up or to a major mining company. The junior mining companies have exploration people who go out as well. But the individual prospector can finance it himself, in the hope he can make a deal with somebody to do further exploration on it in the hope that they'll find something more than he or she found, or they can be financed by a large company or by a junior mining company that is probably listed on the stock exchange, where they raise investment capital.

Mr Colle: Could you see a scenario where First Nations people might engage or involve themselves in a partnership with a junior mining company or with prospectors if they feel there might be potential for a mine on their territory? Has that ever been done?

Mr Reid: It depends, I guess, on your definition of what a joint venture is. I know that the Ministry of Mines in Ontario provides opportunities for native communities to take prospecting courses so they can go out and prospect, either on their own reserves or on their traditional lands or anywhere else as well. It frankly comes down to who's going to put what into the pot.

Mr Colle: So it's the initial underwriting of the prospectors that is costly, and it's risky.

Mr Reid: It's very risky. If you remember the example in the paper—

Mr Colle: Say 10,000—

Mr Reid: —and you might wind up with one mine—might.

The Chair: We'll move to the official opposition.

Mr Miller: Thank you for your presentation, Mr Reid, and your example of the 10,000 to 1,000 down to one feasibility study. Is that 10,000 properties or 10,000 claims?

Mr Reid: Ten thousand properties, usually. A claim and a property are not exactly the same but they're—

Mr Miller: Because a claim is a quarter square mile.

Mr Reid: It's close enough for government work.

Mr Miller: In other words, each of those 10,000 is probably a group of claims—

Mr Reid: Yes.

Mr Miller: —your point basically being that it's extremely high risk and there's a lot of investment involved in getting to the possibility of a mine.

I just want to make sure I heard you correctly. There are 15 operating mines? Is that what you said?

Mr Reid: There are about 28 to 30 altogether.

Just so the committee understands, they come in all sizes and shapes too. By the way, we won't confuse those with industrial minerals. Gold mines come in different sizes and different grades. Base metal mines are generally much larger and so on, and they have different grades. So there's no standard that says each mine is the same as the next one.

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Mr Miller: I'd like to follow up on that, because what I'm interested in is the effect of this bill on marginal properties and smaller properties. Do you think that if

revenue-sharing becomes a reality it will have a negative effect on smaller, marginal mines?

Mr Reid: It's going to depend on how it's done. If you're going to layer more costs on the mining industry, then every time you add a cost on, no matter where it comes from, you make mines more marginal and they drop off the scale, especially if metal prices are lower.

The reaction from most of the mining community to this bill is on the uncertainty of it and what is in fact going to happen at the end of the day.

A lot of people who invest in mining companies and take the risk of hoping that something develops are not just in Canada. There's a lot of European investment and a lot of American investment, and they don't like uncertainty any more than anybody else in this room does. So the more uncertain you make the prospects, the riskier it is, and the harder it is to raise money.

Mr Miller: One of the examples that Mr Bisson has used is comparing this revenue-sharing to a municipal property tax. If a mine is within the boundaries of Timmins, the mine would be paying property taxes to the municipality of Timmins, so that Timmins would be directly benefiting. Mr Bisson is saying, "Why shouldn't that apply on First Nations property?" I guess, from what you were saying, that one of the challenges is where the boundaries of the traditional lands are. In fact, more than one First Nation sometimes have overlapping traditional lands. So it's difficult because there aren't defined boundaries like a municipality has defined boundaries. Is that correct?

Mr Reid: Yes. It's very difficult at the beginning of the process for prospectors particularly, because they don't have a lot of resources themselves when they start out. Some of the larger companies do, but now they generally tend to let the prospectors and the smaller junior mining companies who have limited resources go out and do the prospecting. I think that part of the industry and the producing mines would really like to know where the boundaries of the traditional lands are so they'll know who they should talk to at the outset and who they might deal with as things progress.

Mr Miller: Just so I'm clear, I get the feeling that you think Bill 97 would negatively impact the mining industry and the prospecting industry.

Mr Reid: Because of the definitions and the vagueness of it and how it might work out, I wouldn't say it's viewed positively; I'd say it's viewed very negatively. There's too much vagueness, which adds to uncertainty, which adds to, "We'll spend our dollars somewhere else."

The Chair: We'll move to the NDP and Mr Bisson.

Mr Bisson: First of all, Pat, just a couple of things. I think most people understand that exploration by its very nature is not a business which has revenue. It's a business that spends money. That being the case, revenue-sharing has a much different impact. That's not what this bill is about. That issue about how you get access to what you and First Nations call traditional lands and your relationship and responsibilities to First Nations is quite another

issue. It is not the intent of the drafter of this bill to tax somebody who's expending money to find a mine. That's not what this is about.

Mr Reid: I understand that.

Mr Bisson: I want to be clear. What we are talking about, however, is that when one mine gets established at the end of your process, like De Beers up in Attawapiskat or Musselwhite, as it was out here, what then is their responsibility to the First Nations that are affected? There's a larger question: Does there need to be a process after that, that First Nations share whatever is there? That's a whole other issue.

But I propose this as the question. I can't believe that neither the mining industry nor the explorationists—because I know most of them who are in this understand fairly well because of their interactions with First Nations—would be opposed, when a mine goes into operation, that there would be, first of all, discussions, government to government, between First Nations and the provincial government about how we share existing taxes. Would you have an objection to that?

Mr Reid: No, with the emphasis on "existing."

Mr Bisson: We're doing this one step at a time, just so we're clear.

Number two is, where there is no municipal claim to the value of the property—and certainly we're able to factor into the costing of building a mine in Timmins the municipal taxes that you're going to have to pay—I'm sure companies don't have a problem in living up to their obligations vis-à-vis First Nations in that gap that exists where there is no municipality.

Mr Reid: The devil is always in the details, and it's not quite as simple as you make it out to be.

Mr Bisson: But neither is it as complicated as you make it out to be.

Mr Reid: But it is complicated. If you've listened to everybody you've heard—and I hope you people will listen carefully to what the First Nations people have said—you can't solve a lot of problems with Bill 97. You've opened a Pandora's box already.

Mr Bisson: Oh.

Mr Reid: Well, I think if we all listened, you've got to be impressed by the complexity of the problems up here around all these issues. I was a member and I share your concern. To bring attention to these things is a good idea, but let's not try to oversimplify them and say that Bill 97 is going to—

Mr Bisson: Let me ask you this question.

Mr Reid: I know you're not really saying that, but you're making—

Mr Bisson: Pat, you know how this game goes. I've only got six minutes and I have a couple of questions.

Mr Reid: I'm trying to use up your six minutes.

Mr Bisson: You know how this game works as well.

Mr Reid: They've heard lots from you; they haven't heard as much from me.

Mr Bisson: My question is this. Surely to God the mining industry doesn't believe that the current status quo serves First Nations well. Do you agree or disagree?

Mr Reid: Have I quit beating my wife, yes or no? I think you have to take a look at the whole thing of what's going on and look at it in a holistic—

Mr Bisson: Pat—

Mr Reid: Just a second. Besides that, as you know, companies like De Beers have already spent millions of dollars at Attawapiskat building hospitals, building schools and things. But De Beers is a large company with a lot of financial backing.

Mr Bisson: But is the current system serving First Nations well?

Mr Reid: I wouldn't say particularly, no.

Mr Bisson: OK. So we agree that something has got to be done. I guess my point is, before we run out of time, what this bill attempts to do is set up a process by which we can have a place to talk about these things so that at the end of the day we can find a better deal for First Nations. Certainly industry can't be against that.

Mr Reid: We're not against a process of people sitting down and talking, and after what we've heard today, I'm sure the committee will say something has to be done. But I don't think this bill is the answer.

Mr Hampton: One of the things I heard Grand Chief Beardy say, and he said it clearly, was, "We want certainty of what the rules are for companies." In other words, he said, "We want all companies to know what the playing field is and we want consistency of rules for First Nations so that First Nations know." I can't see either the mining industry or the prospectors being opposed to that.

Mr Reid: Everybody wants certainty. The mining industry wants certainty—and everybody would. There is enough risk in the situation. The prospectors, the OMA and others have been trying to work with First Nations and various groups in northern Ontario to come to some set of protocols on how we can consult together and how we can negotiate impact benefit agreements, for instance. We've been trying to do that for two or three years. That's why I'm saying that it's not simple, as you know.

Let's move the yardsticks along. You heard from Placer Dome and other companies what they're attempting to do in hiring natives and training natives and getting people involved in businesses and so on.

We all want certainty; we want to know what the rules are. And that's again where you get into problems, because each First Nation is different and each mining company is different. So it's coming to some kind of baseline: How can we come up with a system on consultation, dialogue, minimum requirements that is not going to scare off investment in the mining industry or any resource industry, and at the same time try to meet the hopes and aspirations of the First Nations?

The Chair: Thank you for your presentation.

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SAUGEEN FIRST NATION

The Chair: I call on Saugeen First Nation. Good afternoon. You have 30 minutes for your presentation.

You might leave time for questions within that 30 minutes. I would ask you to state your name for the purposes of Hansard.

Chief Ed Machimity: Excuse me. I've got a bad cold and I don't know if I'll be able to read everything. I might need help.

I'm customary chief; I'm not the Indian Act chief. We don't have elections in our area. Under the Department of Indian Affairs we recognize Treaty 3 and Treaty 9 under the territorial system. Then we don't hold elections. We're under custom, which is the treaty.

Mr Bisson: On a point of order, Mr Chairman: I think it's the Saugeen First Nation.

Chief Machimity: The Ojibway nation of Saugeen Indian tribe.

I'm just mentioning that. I was going to put the long statement here and I had to think about revenue-sharing, what they're talking about. I talked to somebody in Toronto and I asked this question. They said that there's no mechanism in place; this is new. Then I was going to make a statement, but I figured I had 90 days to do a statement because the revenue-sharing that's come to take place is almost three quarters of the country, the revenue-sharing that's been taken from the west coast right up to here now.

The way I see this bill, the creating of the revenue-sharing, the governments of Canada and Ontario have to pay back revenue-sharing 100% because of entitlement that we have under the proclamation. We have 100% owning this land because we are treaty people. We signed the signatory treaty of this country. I know the Indian Act is not a treaty; it's just the act itself.

I'm going to go on here with the presentation. The Ojibway nation of Saugeen is located just 80 kilometres south of where this meeting is taking place. As customary chief of the Ojibway nation of Saugeen Indian tribe, I am here to be blunt and to the point in expressing that Bill 97 breaches the treaty obligation.

Our relationship is one of treaty as between the crown and the Indian people. In other words, the foundation of our relationship is that of the treaty with the Queen. Clearly, any revenue generated by resources within our traditional lands should be ours and not those of the province of Ontario or the resource companies.

The bill envisions the resource companies being a party to the negotiations. With respect, this would be a breach of treaty and, as such, all resource companies should be excluded from the negotiations. In its place, Canada should be at the table in their fiduciary capacity supporting our treaty.

As well, the Ojibway nation of the Saugeen Indian tribe asserts that our Indian tribe should be entitled to negotiate its own arrangements to ensure that the treaty relationship is honoured to the fullest extent envisioned when our ancestors negotiated the treaty.

Our relationship to our lands must be preserved in any resource-sharing arrangement and it must be built on the treaty relationship. Under no circumstances should revenue-sharing of resources reduce the amount of treaty en-

titlement that our Indian tribe is entitled to receive from other federal or provincial funding sources.

I wish to make it very clear that the Ojibway nation of the Saugeen Indian tribe is not affiliated with any other organization, and so under no circumstances would it be acceptable for a provincial or territorial organization to represent our interests unless we so designate. If we are to negotiate a revenue-sharing arrangement consistent with our treaty, the agreement should be with the crown and not any resource company. We reject any legislation that would compromise our treaty relationship and urge the standing committee to respect the intent of our treaty, that being that our traditional lands are our lands and the natural resources contained therein should be for the benefit of Indian people.

Self-reliance is our objective, and this legislation can be amended to promote this objective. The people of the Ojibway nation of the Saugeen Indian tribe are prepared to work with you within our understanding of the treaty. Until these principles are acknowledged in Bill 97, we will reject it in its entirety. Thank you.

The Chair: Thank you for your presentation. We appreciate your being here and the fact that your throat is quite sore.

Chief Machimity: Can I have a few minutes? When we speak about resources, that means trees, water, fish and mining.

I want to emphasize one purpose. In 1950, Diefenbaker was a lawyer down west until the Indian made the land grow. Then he went down to the ground underneath. So they called the RCMP. The RCMP pulled him out of there. That Indian challenged Diefenbaker before he became Prime Minister.

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So what they said in that treaty: only certain places where you can build farms, the Indians only release, not give up, to the depth of a plow. That Indian who was pulled out from underneath the ground won the case. Then Diefenbaker became the Prime Minister. They put him as Prime Minister, and they said two years later that they couldn't deal with Diefenbaker any more because of the pressure at the House of Commons not to deal with the Indian, to do away with the Indian.

The source of mining stands today. To this Indian belongs everything from the depth of the plow. Thank you.

The Chair: Thank you. We appreciate your submission and understand that you do have a sore throat. If the committee has a very important question you would like to ask, understanding that the deputant has some difficulties here, we do have about 20 minutes left. Does the committee have a question they would like to put?

Mr Bisson: Just a couple of questions. I wholeheartedly understand, as the one who's responsible for the bill, what you're saying in your submission: that you want a clause that says they should not impact on treaty rights. If that is put in there—it's what is called a non-derogation clause, that it doesn't affect treaties—does that make you feel more comfortable to get to the next step?

Chief Machimity: If the clause is in there—what has happened is, they don't regard even the treaty. If the treaty Indian comes to a place of questioning, that diminishes the treaty rights because they go ahead with what they want to do. You know, all civilizations have been bound in this treaty of Canada for the Indians since 1490. It hasn't changed. What should be in the clause from the treaty—even under the Indian Act, it says that Indians never gave up rivers, waters, animals. That's their resources.

When the commissioners said, "We're not going to take away from you on these issues," it's very clear in the Indian Act. Now it speaks. The animals need vegetation. Fish need water. Now they've been disturbing the water all over the place. Then the act itself says that you cannot molest the Indians. You cannot trouble any Indians who live on the land. It doesn't say "only in the reserve." The proclamation statement says "all"—wherever the Indians are living. That is the fact.

The Chair: Thank you. To the government side: Mr McNeely, did you have a question?

Mr Phil McNeely (Ottawa-Orléans): Thank you, Chief Machimity. I was just following up on that same question, because that's what we hear. The issues of property rights or issues of rights are so complex that, as far as me sitting on this committee, I'd just like to think that we're talking about that non-derogation clause. That part of the discussion is certainly not something that I'm thinking about.

I think the question has been asked by Mr Bisson, was brought up by Mr Hampton yesterday, was brought up as the first condition or first request for the Kasabonika Lake First Nation, which was that the bill, as drafted, does not contain a non-derogation clause. So I don't think I have a question; I think I'm just agreeing that that part is essential and that we can forget as a committee, or at least I will hope that I can forget as a committee, all those other issues between Canada, the province and the First Nations. So it was just a statement.

The Chair: Mr Barrett, you had a question.

Mr Barrett: Thank you, Chief. I think I agree with you and your statement that Canada, the federal government, should be at the table. Perhaps this committee or the province of Ontario has bitten off more than it can chew. I'm not saying that by having a federal government at the table, it would be helpful; I don't know that. Do you think it would be helpful, or is it just a necessary requirement?

Chief Machimity: I cannot make any statement on what is the fact on the treaty issues. The Ontario government, in 1912, when we asked for a land transfer to the federal government, the federal government said, "I cannot give you the transfer because there are no Indians to consent." However, the federal government brings to the table, "Unless you consent to this treaty, then I will give you an extension."

The Ontario government sits there now and has a trust responsibility to carry out this treaty in good faith but has not done so. To form a new clause in this Bill 97, it's not the way to do it, because it's already the treaty protection

for the Indian people. If you look at the first Indian Act, 1868, it's very clear that Indians still honour the old act, the first Indian Act. It protected the treaty Indians, it protected everything that they have, and they keep changing it under the House of Commons, without the consent of the Indians.

Now they form organizations like NAN to deal with them. NAN does not speak for Saugeen, because we abide through the promises there. I know Indian Affairs wrote me a letter last year and said they wanted to eliminate some PTOs. We answered that letter, because we are not connected with these organizations. That happened. They began to eliminate PTOs. That's really breaching the obligation of that treaty, because by deception, they formed these organizations.

The Chair: Thank you very much for your presentation this afternoon.

For the committee, the Ontario Mining Association has agreed to withdraw their presentation this afternoon, but Mr Reid has agreed that he would answer questions for 10 minutes if the committee desires. What is the wish of the committee? We'll pass. OK. Thank you very much to the Ontario Mining Association.

For the committee, the 3:30 deputant has not arrived yet. I would ask Tom Wassaykeesic to come forward, please.

Good afternoon. You have 30 minutes for your presentation. You may allow time for questions within that 30 minutes. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr Tom Wassaykeesic: My name is Tom Wassaykeesic. I thank you for the chance to do a short presentation. I won't take up much of your time.

I'm doing this presentation as a community member of the Mishkeegogamang and also as someone who grew up in this area, albeit north of here, in the Pickle Lake area.

I guess the first thing about Bill 97—I don't know if I can really comment on it right now because I haven't even seen the draft legislation or even the final. So that's one of the things I'd like to see: first, the bill itself, whether it's in draft form or otherwise.

Interjection.

Mr Tom Wassaykeesic: Thank you.

If I was to look over this now, it would take too much of the committee's time.

Mr Michael Prue (Beaches-East York): On a point of order, Mr Chair: To be fair to the deputant, could we stand him down and give him 10 or 15 minutes to read it so that his thoughts might be better collected—if that's what he wants. Would you like an opportunity, sir, to read the bill and then comment, to stand down?

Mr Tom Wassaykeesic: Yes.

Mr Prue: I think it would be more fair if we have another deputant.

The Chair: OK. We'll have you come back in 10 or 15 minutes. You can talk to the clerk and let him know when you feel comfortable with that.

TOWNSHIP OF PICKLE LAKE

The Chair: Is the mayor of Pickle Lake here? Please come forward. Good afternoon, Mayor. You have 30 minutes for your presentation. You might allow time for questioning, if you wish, within that 30 minutes. I would just simply ask you to identify yourself for the purposes of Hansard.

Mr Roy Hoffman: I'm Roy Hoffman. I'm the mayor of the township of Pickle Lake, or, as we like to say, Ontario's last frontier.

I have to apologize; I don't have anything written. The first thing I would like to bring up is that, to be honest with you, I was quite disappointed. I just found out about this particular session this morning from one of my councillors, thanks to CBC Radio, and talked to Howard Hampton. So, like I said, I just found out about this. I had no time to prepare. However, I am aware of Bill 97. As you know, it has been the hot talk up north here for quite some time.

I'd like to start out by saying that I agree with Grand Chief Stan Beardy. Yes, there are a lot of problems. There are a lot of social problems on some of the northern reserves. I don't think anybody will dispute that. However, we're not here to discuss those issues; we're here to discuss the revenue-sharing formula or the revenue-sharing as is and the mechanism in which this will take place.

I have some grave concerns in several areas. Like I say, I'll try to keep focused, but I don't have notes, so bear with me.

One of my big concerns is that corporations doing business up north here—and that's large or small—will be, I'll say, unfairly taxed while other corporations in the rest of the province will not be. Sure, you might say they are reaping the benefits of the resources locally, but I ask you, who is reaping the benefits from these corporations that are taking the resources out, whether it's timber and furniture being made in manufacturing plants in southern Ontario, whether it's gold jewellery or whether it's diamonds? I don't think you're going to see a lot of people up north here wearing a lot of gold jewellery and diamonds. A lot of these products—by far, the majority—are consumed in southern Ontario.

You call it revenue-sharing; I'd like to call it a tax. I think the fairest way to come up with a system is that there has to be a level playing field province-wide.

Once upon a time, Toronto was traditional territory of the First Nations; so were Ottawa, Hamilton and Windsor. Once upon a time, all of Ontario was traditional territory.

I'd like to quote Gilles here. I have his speech with me today. He mentioned in his speech that the governments of today didn't cause the problem; the problem has been here for a long time. I agree. Individually, we didn't create it. Yes, the problem is here. Collectively, as a province, we have to deal with this and I think,

collectively, as a province, it should be all companies, all corporations, all taxpayers, large or small, that should chip in to the pot.

I do have some individual comments I would like to make on other issues which were put forth this morning, one being that being a small municipality—and I'll use Placer Dome as the example. They came to Pickle Lake and started a small mine outside of our town roughly 15 years ago. As you say, we annexed, we taxed, but let me tell you, for that tax money, we do provide hard services. Whether it's waste disposal, recreation facilities, libraries, we provide hard services for that money, and that is one of the differences with that tax system.

Another question I want to put to the members here today is, up until now all I've heard is large corporations—and I'm not here to speak for them; they do very well speaking for themselves. What about the small corporations? I'm from Pickle Lake. We're 400 people. We have small, family-run tourist outfitters. You know the cost of running a business. I don't care whether it's fuel, whether it's insurance, whether it's sending your children to university, these are huge costs that a small business has to deal with. If there's going to be this additional tax put on top of that, and especially if it's going to be a tax on northerners, it is not fair at all. As mayor of a small northern municipality, I fear that it might possibly scare potential economic development away from the north. I think Chief Roundhead and everybody will agree that we all want to be economically viable. We all want jobs. We all want our communities to grow and expand. We want opportunities for our children. We want training and education. Everybody wants that. The last thing we want to do is scare off corporations, large or small, from the north.

The one point I would like to make, which I believe Howard touched on—and I agree 100%—is that I think what the big corporations are doing now with the training is phenomenal. They're providing opportunities, they're providing training, all the apprenticeship programs. That's great, because when the mines and the forestry are gone, this is something tangible that is left behind that people can use to further their lives and their careers. That's phenomenal, but that's a separate issue from the revenue-sharing.

Like I said, folks, I'm sorry I didn't have anything. I will be making a written presentation to the committee, but I just wanted these thoughts to go on record. Thank you.

The Chair: I want to point out to you, Mayor, that a subcommittee of this committee determined how we would advertise the hearings, and we did advertise across the north—we thought, extensively. We also advertised on the parliamentary channel, the Internet etc, which you may or may not be able to access. We apologize if you did not hear about the hearings. I was going to state that you could write to us, and I hope you take that opportunity.

To the other gentlemen who were just handed Bill 97 and are reading it for the first time, if you want to present

to us in the next few minutes, you can, or if you choose to write to us later, that's fine as well.

We do have time for questions, and we'll begin with the official opposition.

Mr Barrett: Thank you, Mayor. You made reference to all of Ontario, actually, rather than just the north with respect to the fact that at one point native people held sway in all of the province.

I represent two native communities down toward Lake Erie. Six Nations, for example, is a very populous reserve. I guess the question that has been raised in my mind—I mean, a line has been drawn. Why would there be a line drawn between northern native communities and southern native communities?

The Six Nations community is adjacent to Caledonia and Hagersville. Both those towns are gyproc mining towns—gypsum for wallboard. The mine is Canadian Gypsum Corp. It continues right underneath the homes of the reserve, and the people who work in the mine work on the native community side, for tax reasons. I guess the question that is raised in my mind is, why would those two native communities be excluded from this legislation, just following up on your initiative of making a distinction between the north and the south?

1530

Mr Hoffman: I'll take one point that—and I'll use the Central Patricia mines that operated years ago, and how we were deluded to the fact that there was \$1.3 billion worth of gold taken out of that mine. Who did benefit from that? You're right that the First Nations didn't. For example, I know my wife's father worked there. He provided for his family. That's it. He didn't walk out a millionaire, but he had meaningful employment at that time. I also know that at that time there were lots of First Nations people who had meaningful employment.

At that time, Pickle Lake—sure, they did fine. But when the mine closed in the 1960s, it was virtually a ghost town. We have very little left today from that mine.

However, on your other point about the First Nations and should they now benefit, I'm not saying they shouldn't. Yes, they should. It's just the mechanism we're talking about.

If we're calling it a tax, a tax is a tax is a tax. If you're saying that they should be taxing mines—and I'll say, outside of their reserve boundaries on their traditional lands—then maybe the First Nations should be looking at coming up with some kind of a tax system for their entire communities and taxing the businesses that are within their communities and taxing the homeowners like we tax our homeowners. Maybe they can come up with some kind of a tax system so, yes, there will be some kind of avenue for them to do that. But once again, it's for them to determine their own future. That would be one way they could have self-determination: to have the ability to tax.

Mr Miller: Thank you for your presentation. Considering that you just found out this morning, it has been an excellent presentation, which raised lots of good points, including the way you look at this as a tax and not

revenue-sharing—basically, as an additional cost. If you're looking at it from the perspective of business and business trying to decide whether they're going to make a mine or be in the business of forestry or whatever, it's an additional cost of doing business.

You make the point that there shouldn't be this arbitrary line drawn, in terms of it affecting the north, because you see this as negatively affecting businesses in the north as compared to businesses in the south. The line happens to be right at the top of my riding, actually. My riding is Parry Sound-Muskoka. The French River is where the boundary has been drawn. Also, there are seven First Nations within my riding that would probably be concerned about that if it was a benefit to them.

You made the comment that we didn't cause the problem, but collectively we must solve it. Can you expand on that point?

Mr Hoffman: Basically, like I was saying, no one person here is the cause of—when I say “the problem,” it's the inequity of the revenue-sharing. There should be some mechanism there so that the First Nations can somehow draw some income from the land that surrounds their communities. I agree with that. I'm not against it. But we are here today with this situation. I didn't create the situation, you didn't create the situation but, collectively, as society, I guess we can say we did. I say we, our forefathers or whoever, through the treaties and so on and so forth, created this. Now we have to deal with the situation. But why is it being put on the north to deal with when this was created by everybody, not just the north?

Mr Miller: So you're concerned that this would negatively impact the north, in terms of the viability of businesses doing business in the north.

Mr Hoffman: Yes. We're struggling right now, as you well know, with the out-migration of our youth, as are the First Nations. We're looking at this being just another tough way to attract business to the north if there's an additional tax put on businesses that just do business in the north.

Mr Miller: You made the point of—

Interjection.

Mr Miller: I'm out of time?

The Chair: Very quickly.

Mr Miller: Very quickly. The municipal tax example: the Placer Dome property, and then you annexed them, so you're collecting municipal property taxes from that mine. But you say that you also provide a lot of services. So you're saying, that balances out.

Mr Hoffman: Just like a homeowner. A homeowner pays property tax in your municipality, and you provide services for that tax. Part of the services are hard services, as I call them.

Mr Miller: Roads.

Mr Hoffman: Roads, waste disposal and so on and so forth. Some of it is just the job that we as government do on their behalf. There's a cost to doing that, as you well know. So for the money they are giving us, they are receiving service.

Mr Miller: Thank you for your presentation.

The Chair: Now, with the NDP, I have notice of two questions. We'll begin with Mr Prue.

Mr Prue: Thank you, Your Worship. I don't know if you get called that much up here.

Mr Hoffman: I get called other things.

Mr Prue: I say that because before, in a previous life, I was a mayor of a municipality. I'd just like to be a little bit careful here about some of the stuff that you've said. In terms of you getting tax revenues from property assessment, that's almost all the money you get, other than grants from the Ontario government. That's where you get most of your money.

Mr Hoffman: Yes. We could go through our budget, but we do get a lot of CRF funding as well. Being a northern municipality, we don't raise enough taxes to cover our budget.

Mr Prue: OK. Perhaps like some of the bands and some of the traditional—they don't get enough to cover theirs. In fact, they don't get any. They don't have any property assessment. They also don't have the authority that a municipality has to charge service charges. They don't have planning fees, they don't have zoning bylaw fees, they don't have municipal fees—all of the things that you would have to bring in an industry or commerce. You have access to all of that money. So I'm a little bit hard-pressed to understand the analogy. Are you proposing that, in lieu of this bill, traditional First Nations communities be given municipal status so that they can charge all these things?

Mr Hoffman: No.

Mr Prue: Because I don't know how that's going to work. I don't understand your alternative.

Mr Hoffman: To be honest with you, all I'm saying is, if I'm going to understand where you're coming from—if you say they don't have the power to do all these taxes, then I say that's a problem with their system and it's none of my business. But then something's got to be fixed, whether it's within—and that's not for me to decide. But I'm just saying, if that is so, the way I want to twist that is, why should corporations up north pay for that particular problem?

Mr Prue: I also have, being a former mayor, a little bit of problem with this line of thought as well because when we invited corporations into what was a fairly large—you can call it a city, although we were not one—we knew that by inviting them in, we were going to make money off them because, quite frankly, business, industry and all of that stuff paid far more in taxes than they got back in services—a huge lot. The homeowner never paid.

So I'm just wondering, how does a native community—or in your community, you don't pay either. You'd be bankrupt if all there was were homeowners. I tell you right now, Toronto would be bankrupt if that's all there was, if it was just the homeowners, because the homeowners don't pay anywhere near what it costs to run a city or a town. So I'm trying to understand the analogy here. I'm trying to understand how you equate Pickle Lake with—

Mr Hoffman: Right. Don't get me wrong. The need is there. We both agree. It's just a question of the mechanism of the funding. I'm saying, to unduly put hardship on just northern companies is not a fair playing field, and I'm scared that it might detract, whether it be large, small, medium businesses, from wanting to locate up north if they're going to be taxed additionally, compared to down south. That's all I'm saying. We both agree on the need; I'm not arguing on the need. There is a need for some kind of revenue-sharing or tax. It's just the mechanism we're talking about.

Mr Prue: I'm going to leave it to Gilles. He has some questions. I have some more, but—

Mr Bisson: Oh no, I do, I do. As Howard said to me yesterday to another question, we actually agree. Unfortunately, I think we're having a bit of a problem with semantics, because what I heard you basically say is that maybe First Nations should have some sort of taxing authority. The problem is, they don't have that right. Why we call it revenue-sharing and not taxation is just to that point: because the federal government has a responsibility when it comes to taxation for First Nations and we have a responsibility when it comes to natural resources; hence the word "revenue-sharing." So that's where that comes from.

I wish we could go as far as you want us to go. Unfortunately, we don't have that jurisdiction provincially, as far as I know. Maybe I'm wrong, but I don't think we do at this point. So what we're looking at doing in this legislation—this is just a comment—is finding some way to allow First Nations to share in the tax revenue that's generated to the province and, if there is no municipal assessment, to have an equal amount of the money that you would get by assessment shared with those First Nations. I take it that you support that concept, and I'm glad to see that.

1540

The only other thing you raise—it's an important point, and I don't know if we should go there—is, how do we approach southern Ontario, which is a much more complicated issue? Should we say "Never mind" to revenue-sharing and just have one standard tax, assign a percentage—say one half of 1%—to all businesses across this province and we'll pay it into a fund that goes to First Nations? Hell, I'll withdraw my bill, and I'm excited, because that will give us more money than we know what to do with. Certainly, if the government wants to come forward with that proposal, I think the grand chief and chiefs and those assembled probably wouldn't be upset. The difficulty, however, is that I'm not sure if any government is prepared to go to that point in this current day and age.

I understand your concern in regard to the southern and northern issue, but you need to understand that this is not about an additional burden of tax on businesses. We're talking about existing taxes that are there and how we share those with First Nations and, where there's no municipal tax, make up the room. I just wanted to clarify it.

Mr Hoffman: One question, and I pose this. For big corporations, as I say, I'm not here to speak for them; you can deal with them. What about the small, family-run tourist business or other business that makes its living off the resources? How is this going to affect them?

Mr Bisson: It's the same point. What we're talking about here is—oh, sorry; we'll talk later.

The Chair: For the government, Mrs Mitchell.

Mrs Carol Mitchell (Huron-Bruce): Thank you, Mayor. I too was a mayor, so I certainly—

Interjection.

Mrs Mitchell: Yes, everybody was a mayor, I guess.

I'm delighted that these questions came up, because repeatedly what I've heard is that Bill 97 can take the form of taxation for municipalities. It's a mode or venue that they would choose.

I'm going to talk about the tourism industry just for a moment. That's also a part of the proposal of Bill 97. How do you see that affecting the tourism industry within your district?

Mr Hoffman: Phew, boy. I say it's a tough question. I haven't had that much opportunity to talk to all the tourist outfitters. However, I did have an opportunity to talk to a few, and they're quite concerned about it. I'll speak for one: He'd leave town—that simple. We would lose a business right up front. I know some of these people. They're struggling to make ends meet. Everything is going up: taxes, fuel, you name it. One more tax and that could be it.

Mrs Mitchell: So if the burden of taxation went back on that primary industry, be it water, mining, whatever, you feel that would have an adverse effect overall, because the business would withdraw.

Mr Hoffman: Right. I'm not talking for mining, logging or hydro; strictly small business, yes.

Mrs Mitchell: OK. On a point of clarification, I meant small business, and I included them all.

That's a concern I hear repeatedly about who bears the taxation. I certainly understand that the First Nations term, I would say, a revenue source that would be long-term and that they can use to provide services. That I understand. It's the locomotive you get on the track to get you there.

Mr Hoffman: You've got it.

Mrs Mitchell: This Bill 97 seems to be all-encompassing and would, I believe, have adverse effects on small business.

Mr Hoffman: I agree.

The Chair: Thank you for your presentation.

TOM WASSAYKEESIC

The Chair: I call on Tom Wassaykeesic.

Mr Zimmer: On a point of order, Mr Chair: There must be eight or nine conversations going on in the room, and all background. I wonder if you could just—

Mr Bisson: Yeah, Gilles Bisson, come to order.

The Chair: There has been a request that there are too many conversations and it's hard to hear up here at the front.

Please identify yourself, sir, and then you can begin.

Mr Tom Wassaykeesic: My name is Tom Wassaykeesic. I thank the committee for giving me an opportunity to do a presentation. I have nothing written down. I plan to do a verbal presentation, or an oral presentation; I guess it's the same thing.

I just finished listening to some of the things that the honourable mayor of Pickle Lake had to say. I grew up in the town of Pickle Lake so I'm aware of the feelings of some of the people there when it comes to who actually pays taxes there and who doesn't. I've had some disagreements in the past with some of the townspeople—certain of them anyway—about that, but that's not what I'm here to talk about.

I was looking through this, and I know it's just a draft, but I was looking for the meat and potatoes of this thing and I don't see any of it. I guess that will come later.

One of the concerns I share with other people is that this thing, if it gets through the Legislature and it receives royal assent—I think I've heard that it's already gone through second reading and now we're somewhere between second and third readings, but I don't know if it's true. I read that somewhere, I think in a newspaper.

But one of the concerns that I have, and not just myself but other people, is about the negotiations "within 90 days of the coming into force of this act," it says here, where everybody gets together and starts negotiating, or least discusses the preliminary parameters of what they're going to put on the table, what they're going to negotiate about. The concern some of us have is that this may give a licence or the OK for resource-thrashing companies such as Bowater to go ahead and do whatever they think should be done—their agenda—because they might think that, with this committee and being given an opportunity to do presentations in the First Nation communities and by First Nation individuals and organizations, it gives them the OK to go ahead, that the consultations have been done. That's one of the things I'm concerned about, and I know there are others.

I want to talk to you for a minute about Mr Bisson. I first heard about his previous attempt to introduce this kind of legislation under the former Conservative government. I remember hearing about how it got shot down. I wasn't too surprised by that considering how, with maybe a few exceptions, we know from our own experiences with the former Conservative government of Ontario exactly how they felt about us, what they thought of us. We always had this impression that we were standing in the way of opening up the north, extracting resources of the north or whatever they wanted to call it.

We all know that it's very rare that private members' bills pass the Legislature. Most of them are usually discarded or voted down. It's very rare that a private member's bill gets past first reading or even second, or even becomes law, legislation.

1550

I'll give you a story. I'm most familiar with the Mining Act, because we've seen more of the impact from mining here over the years. We've gone through several boom-and-bust cycles here in this part of Ontario. I can tell you that when I was growing up in Central Patricia, which is now part of the municipality of Pickle Lake, by that time, only the Pickle Crow mine was in operation. Those First Nations families—I don't want to use the word "native"—from this area, including my own, never actually resided on a reserve. The Pickle Lake area and north of it is our traditional area. That's where my family, my clan—that's when we used to have a clan system—grew up, in the town of Central Patricia, and those houses we lived in belonged to the mining companies of not only Pickle Crow gold mine but Central Patricia gold mine. For some reason or other, when I think back about it, the houses we, the native families, lived in, I don't recall any one of them ever having running water or sewage. When you went to a non-native family's house, they had everything, all the amenities. Even going back as far as the 1960s—and I'm not talking about on a reserve here, this First Nation territory here; I'm talking about Pickle Lake and Central Patricia—we never had those. I guess we were left out.

When I got older, I used to wonder about why it was like that. Why were we excluded? Why were we treated differently? Was it because of the colour of our skin? Was it because we spoke a different language? Was it because maybe we reminded the people who came into this area, including resource companies, of who was here first and who they took the land and resources from? Maybe that's the reason why; I don't know. I often wondered about that.

Going on to the former Dona Lake mine, which is just north of here toward Pickle Lake, I was involved in that Dona Lake—I not only worked there at one time but previous to that I worked in the—we signed a general agreement at that time. I was just learning these things; I was just a young man at that time. We signed a general agreement with Canada, Ontario, Placer Dome, Windigo tribal council and Mishkeegogamang First Nation. This agreement was the first of its kind in Canada. I think it set a precedent. That was a general agreement, but there were supposed to be at least five sub-agreements that were supposed to have been negotiated and signed but I think only two were actually ever negotiated and signed. So when you look at the terms and benefits of the Dona Lake mine—it was owned by Placer Dome—you can see that it had a marginal impact on this community: the benefits, the mining.

As Chief Donny Morris pointed out one time at a meeting—he was talking about the former Umex mine, which is copper and nickel, at Kapkichi, just north of Pickle Lake. He said that in the late 1970s or somewhere in the mid-1970s they were going to open up a mine in or near Pickle Lake and the governments poured lots of money into the community of Pickle Lake to build up its infrastructure, to build more housing, to build a new

school and all that. At the same time, south of Pickle Lake, he said there was an Ojibwa community, a small reserve at that time, and he said, "They never got nothing." When they asked for something they were told, "No, you're a federal responsibility. Why should we give you some of the province's revenue to build up infrastructure or at least create one to improve your community, to put in water and sewage and everything that goes with it?"

Ten houses just a little further south of here, that community never had its own electricity until about 10 years ago, the 1990s, in spite of the fact that there was a hydroelectric dam that was built there years ago. These people who live on that side of this First Nation never received anything; they never got any benefit out of it.

The same thing with the water and sewage project. When they finally brought it in here a couple of years back, I heard someone say one time that we should be grateful; we should just quit complaining and just shut up. I told them, "Water and sewage, that's a basic amenity that's expected in every community in Canada. Why should it be any different for First Nations? They finally gave us some funding to put in water and sewage. It's not like they're doing us a big favour." That's what I thought at that time. I said, "These things should have been done a long time ago. Why did it take us almost 100 years to do that?"

When you look at Treaty 9, it says right there that—I've been to Trent University in Peterborough myself, so I know there's a lot of debate across the country about those treaties and what are actually in the treaties. I thought about Treaty 9. The spirit and intent of that treaty was never followed, meaning that when they talked about sharing the land and resources 50-50, that's what it meant: neither side taking more than what they needed, always leaving some there for future generations.

I can see, despite the fact that next year we're going to celebrate our—I'm going to call it a commemoration because there's a difference between commemoration and celebration. Why celebrate if you've got nothing to celebrate about? So you just commemorate the event. The 100-year anniversary of Treaty 9 is coming up in July of next year and I'm going to be one of the people commemorating that event.

I can see from both levels of government, until fairly recently, when I met with the two ministers, Michael Bryant and Rick Bartolucci—there are two levels of government: provincial and federal. Our so-called treaty partners were reluctant to come and help us out. They are the ones that benefited the most from Treaty 9 and yet those two levels of government were very reluctant, until very recently, to come to our aid, to help us put together this commemoration. I wonder, why is that in this country? Why is that in this province? Here, we have a signatory. Ontario is the first province that was a signatory to any treaty in Canada, and we have Canada itself, and they are supposed to be our treaty partners. We're supposed to be equal with them, sitting at the table with them. They're not supposed to look down on us and we're not supposed to look down on them, yet they were

treating us like we're—I don't know how to describe it. I guess I could say that they didn't treat us as equals; there was a total lack of respect.

I like this idea of revenue-sharing, although I myself would be prepared to go further than that, if it was in my power to do so; I would also add off-reserve access to resources. But I think if this bill goes through and becomes law, undoubtedly it will have a rough ride in the Legislature, because everybody has differing interests here.

1600

I heard the gentleman from the Ontario Prospectors Association, who I think said, "This thing is not of our making. It's not our problem." That might be true but it's your responsibility; it's your duty to do something about it. You have the means to do something about it, to correct whatever happened in the past. We're not asking you to bow down. It's not that at all.

I recall a story there one time. I don't want to go all candid here with too much of that, but when I was attending Trent, I remember that one of the fellow students just came up to me and said that he had nothing to do with the conditions of the First Nations in this country. I looked at him and told him, "I don't even know who you are. Who said you're to blame?"

Mr Prue: He felt guilty anyway.

Mr Tom Wassaykeesic: Yes. I told him, "I never said that your grandfather or great-grandfather did something to mine," and so on. I asked him, "Did I ever say that, or did you know any of the native students at Trent who ever said that publicly in any of the classrooms, seminars or tutorials?" He didn't answer. I told him, "You could do something about it, though." He asked me, "What's that?" I told him, "You come from what they call a dominant society or the majority. You have the means. You come probably from a middle-class background, and as everybody knows, the middle class in this country is the greatest voting bloc ever. They're the ones who call the shots in this country."

I told him, "Get your friends too and get on the phone or send telegrams, write letters," things like that. "Go see your MP, go see your MPP, and ask, or demand, that the First Nations be treated with respect, that they be treated with dignity and that they be given equal access to resources."

Anybody who's ever taken community development, economic development, anything like that, knows that every community's greatest resource, no matter what size, is the people. That's what we have here too, just like in Toronto or in any parts of Ontario. In Pickle Lake too, people are our number one resource.

For us here, when I talk about sharing our resource revenues, when I talk about getting equal access to off-reserve resources, so-called crown land—we have very limited natural wealth here on the reserve—I'm talking about within the confines of the reserve itself. We don't have mineral wealth and other things. The only way we're ever going to actually achieve self-governance, self-sufficiency, is by gaining equal access to off-reserve resources. It's not going to happen within the confines of

our communities because we simply don't have enough resources to do so.

I know the committee here represents different parties in the Legislature and that right now the dominant party is the Ontario Liberals. I'm just glad that Mr Bisson reintroduced this bill. I knew that at least under a Liberal government it would have a better chance of making it through the Legislature. That's not to say that all members of the Ontario Liberal Party are like-minded. They have a difference of opinion just like we do. Being a politician—even a chief and council don't always agree with each other but we try to put aside our differences just for the sake of doing what is best for our community, for our people, and sometimes that's not easy. We usually try to do things by consensus, but if not, just to get on with business we use a simple majority of chief and council. There are six of us. Of course, the magic number is four.

I don't want to keep everybody here for the rest of the evening, but in closing I want to say that I think Bill 97, the proposed legislation, can be done. I don't believe the fears of the resource companies that it means extra taxation. As far as taxation on reserves, that's something that has to be decided at another time and in another place. If we and the people in Ontario work together and communicate with each other and try to understand each other, we could get along great.

It's not going to be like the television show *Northern Exposure*. I remember we had a group of young people from Ajax, a group of students that came here to personally deliver a donation of computers. One of them commented—I think it was in the *Toronto Star*—that she thought it was going to be like the TV show *Northern Exposure*. But once she took a look at the prices at the Pickle Lake Northern Store she said, "That's unbelievable."

Yes. Just one final comment here about prices, and I know it's going off on a tangent again: The former chief, the late Roy Kaminawaish, used to wonder why fuel and food prices were so high in the north. He said, "When you walk into the LCBO in Pickle Lake," a government liquor store, "you pay the same price for a bottle there as you do in downtown Toronto." He always wondered, "Why is that? Somebody is getting their priorities mixed up. Why are fuel and food prices so high?" If you think they're high here, go up to Fort Severn or Big Trout Lake, where they're even higher. That's one of the questions he used to have. I don't think he ever got an answer, though.

Thank you very much. Meegwetich.

The Chair: Thank you. We don't have appropriate time left for questions, but we appreciate your presentation.

1610

DANIEL WASSAYKEESIC

The Chair: I would call on Daniel Wassaykeesic to come forward, please. I'll just remind you that you have 30 minutes for your presentation. You might allow time

for questions, if you wish. Please state your name for our recording.

Mr Daniel Wassaykeesic: First of all, my name is Daniel; that's my Christian name. My Indian name is Wassaykeesic. That used to be my great-grandfather's name; that was his Indian name. When they signed the treaty, that's what they called us, Wassaykeesic, so my name is Daniel Wassaykeesic. I live off the land, my God-given right, and I want to talk to you people about hunting, fishing and trapping because that's how I live. That's my means of survival, my livelihood.

I want to say today that where I live there are a lot of disturbing activities by line cutters, prospectors, diamond drillers and hunters. I've lived off the land all my life. I never reside in town unless I work because I like living off the land, hunting and fishing. But I also have a part-time job, at my age. I live with my partner. But lately there have been a lot of hunting in our area. You can meet Canadians and Americans at any time. There are a lot of diamond drillers too. There isn't enough room for everybody; for me, anyway. How am I going to survive in the future, when everything is taken away, and as I get older too? That's my question to this meeting. I'm concerned about that. I'd like to tell this committee that there has to be something for us Anishinabek living off the reserve. Thank you.

The Chair: Thank you very much. We have almost the full time left for any questions, if there are questions. We'll begin with the NDP.

Mr Hampton: I want to ask you some follow-up questions because I hear what you've just said quite frequently from Ojibwa people who live near Fort Frances or Kenora. These are people who traditionally have hunted, fished and trapped. Increasingly, as logging companies engage in more and more intensive logging, it's difficult to trap and it becomes difficult to hunt, we're seeing a greater influx of fishing-mad Americans who love to fish, will go anywhere to fish and don't know when to stop fishing. I hear from a great number of people who practise a traditional lifestyle that as the non-native society encroaches more and more, it becomes very difficult to sustain that traditional lifestyle. Is that what you're facing?

Mr Daniel Wassaykeesic: That's right.

Mr Hampton: It would not come as a surprise to you to know that companies like Bowater, Weyerhaeuser and Buchanan have approached your First Nation, have approached New Slate Falls First Nation and have approached New Saugeen First Nations, all with proposals for intensive logging.

Mr Daniel Wassaykeesic: That's right. But they never came face to face with me.

Mr Hampton: I understand. Can I just ask you this? Even I am surprised at the number of mining companies that now routinely fly over your territory, with all the sophisticated electronic equipment, looking for mineral resources. I'm surprised at the number of forestry companies that are approaching not only your First Nation but several other First Nations with proposals for intensive logging.

What I think I heard Chief Ronald Roundhead say is that if this is going to happen, people like you have to be included. There has to be a plan. There has to be a strategy. Is that your point?

Mr Daniel Wassaykeesic: That's right. Yes.

Mr Hampton: Thanks.

Mr Bisson: What percentage of the people in your community here would actually use the land as a means of sustenance; in other words, food that you regularly eat? I don't think most people recognize that.

Mr Daniel Wassaykeesic: In this area?

Mr Bisson: Yes.

Mr Daniel Wassaykeesic: Quite a bit, because there are people who live along the road, who have always lived there, and they live off the land. There's a lot of people who are hunting around here.

Mr Bisson: Just for committee members to know, the price of food in most of these communities is exorbitant, and there's no revenue. So most people hunt, fish, do whatever in order to supply their families. In fact, this school is closed right now because of the traditional hunt that goes on in the fall. That's why the students aren't here.

Interjection.

Mr Bisson: Somebody already found out. Good. I just thought I'd point it out, because sometimes we think it's a regular community like every other non-native community. They're very different. The traditions here are different.

The Chair: Thank you. To the government.

Ms Judy Marsales (Hamilton West): Thank you very much for your presentation. We appreciate it. Could you just elaborate on what you do right now? Are you fishing or are you hunting?

Mr Daniel Wassaykeesic: It is very hard to maintain those kinds of things because of the MNR regulations. You always have to watch where you hunt. If you're hunting on somebody's trapline, then you can be charged for that, because MNR is always on your tail. Also, you've got to watch the hunters at all times or the workers in that area where I trap. I always have a trapline, but they're always doing line-cutting in that area.

Right now, there are two mining companies that are moving in, because I have talked to these people who are doing the line-cutting. They're going to be diamond-drilling near where I live, but I've been living there for a long time, at least 12 years with no noise since I got this new trapline area. I had to maintain a licence in order to trap. If I just trapped anywhere, the next thing you know, the MNR would come after you, because you've got to have a licence where you trap.

Hunting is more difficult this year because there seem to be more Americans, Canadians coming in our area. So there has to be something that—right now, if you and I go to the north route, we would see people almost in every corner. That's how many there are. So it's very difficult just to go hunting, because these people have a licence to do that, and if you go there as a native person, you're treated as a non entity. They're the ones who have maintained a licence to do it, to be there.

Mr Barrett: I hear what you're saying about line cutters and other economic activity forcing out hunting and fishing and trapping. I guess we've seen this certainly across the United States and much of Alberta. I was in Brazil 30 years ago, and I think there are significantly fewer people living off the land in Brazil in the ensuing years since I was down there.

The growth of the world's population, in my view, is out of control. Certainly in southern Ontario, this government is wrestling with the area around Toronto and Hamilton. Again, that's one of the biggest clearcuts anywhere in the province of Ontario. The growth of population there is phenomenal. Certain other species seem to do well down there, depending on diseases and what have you: deer, rabbits, raccoons. We have a tremendous increase in raccoons and I think a lot of people would like to see raccoon trapping in the city of Toronto, but the price is no good—down there anyway.

1620

I guess the bottom line is, we have a tremendous increase in population. We are a country that for hundreds of years has welcomed immigrants. I don't think that's going to change either. I'm afraid I don't have an answer for you, other than that this part of the world seems to be one of the areas where there still is significant hunting and trapping and fishing compared to just about every other country in the world, where you don't see that any more. I regret that very much. My ancestors hunted and trapped and fished as well. I'm afraid I don't have the answer, and I don't think a politician is going to touch that as far as immigration or increases in population.

Mr Daniel Wassaykeesic: I'd just like to add one more thing. In the early 1960s, when MNR was more or less trying to force the Indians to go and live on reserve, what they did was, where native people used to live in their traditional territories, they used to fly in and do the interview. They asked them, "Why are you here? Is it that you fish here and you hunt here and you trap here?" Because that's the place they used to live. In order for them to force them out of there, they built fishing camps, tourist camps and hunting camps, right? That's where they are today.

Right now, if I fly out of here tomorrow to go to Littleford Lake, which is only about 25 air miles from here, that's where you can see my family, all the cemeteries are there, and now there's a fishing camp there. There are a lot of people there during this time of the season—hunters. I cannot even go there to hunt because they would ask me, "What are you doing here? Are you fishing? Are you hunting? Where is your licence?" So I can't go anywhere. Something probably has to be done.

The Chair: Thank you for your presentation.

GEORGE PANACHEESE

The Chair: I would call on George Panacheese to come forward, please.

Would you state your name for the committee. You've been here most of the afternoon. You would know that you have 30 minutes and you might leave time for questions.

Mr George Panacheese: Hello. My name is George Robert Panacheese of Mishkeegogamang, band number 715. I want to ask you something first. What do you guys think about crime?

Mr Prue: Nobody likes crime.

Mr Panacheese: Well, I don't either, because I've been through a lot of injustice in this country, in my own home, right here in my own community, by outside people. I don't know; I've tried telling my chief and council, but they don't seem to listen to what I have to say, and I don't like it. I don't know how you would feel if your mom or somebody was the victim of terrorism or something. It's just like terrorism—that's what I call it—what happened in the past, about 29 years ago by now, my first attack, or my family was attacked. The latest one was just last year, and nobody says nothing. This gets covered up.

I don't really like this, but I'm looking at this thing, sharing of resource revenues too. I was looking at this. In the past, I know that the Ontario government has been sharing some resource revenues with the band, Mishkeegogamang, but only about 20% or 30% of the people have any real access to these resource revenues and the rest don't. A lot of us don't. Like me, I haven't had any help from my own leaders. I don't know why it works like that, but I kind of feel sometimes that they're involved in these crimes, which I've been trying to tell them about. Over two years ago, I asked one of my council to check into why these things were happening and he never got back on it. I asked him, and he says nothing; he just walks away as if he might have been involved. I don't know if my leaders are involved or if you guys are paying them to shut up. The government might be paying them not to listen.

I was in the newspaper one time; I think it was the Wawatay paper. I was on the run from the police or something. That was me. That was back in 1993 or 1994. What I said in my story—and I should have brought copies of it—everything I told that reporter at that time wasn't written the way I explained it to him. It's as if my story was changed at that time. They never wrote down the truth of what I was saying. I don't know if the reporter is responsible for that when he makes changes on the story. I don't know who would be responsible for that.

Regarding this thing, the sharing of revenue with First Nations, I know it hasn't passed yet. I don't think you people should try to pass this through until you do justice for me, my family and my people. That's the way I see it. Because if you pass this through, you will be committing more crime in my territory, my home. You guys will be committing more crime. You guys will be involved, too, if you don't answer for the crimes you committed in the past. That's how I see what you guys are doing here. If you pass this through, you guys are involved in that crime.

My last attack was over 10 years ago in 1994. They attacked me. I don't know why they attacked me. How do I say this? I don't know what they did to my chief and council. It's as if they don't hear me, either. I'm by myself. I got kicked out of my own community. I get no help from them. I have to depend on this guy from Pickle Lake to help me out. He's my friend and I call him. He's more my chief than my own chief. He's a different guy.

My own people—I don't know who to blame for all this crime that's been committed in the past. Even to this day, I see some more crimes that are being committed and they never answer for them. How can you guys commit crime without even answering me or anybody who's asking for answers? All you guys wouldn't answer us. I want answers to why you guys do these things. Why does the Ontario government let crimes continue in my community by people who come here from outside?

You come to tell us about this. Sure, we'll look at it. You will probably pass it anyway, even if we say no. It doesn't matter. You guys will win because you are in control.

It hurts me very much. My mother was a victim of these terrible crimes—they're like terror attacks—inside her own home. She had no drinking problem. She was never doing nothing and I don't know why she had to see this. I tried telling my own leaders, but they can't do anything, as if somebody else was telling them to be quiet and leave it alone. I tried telling the story to somebody in the newspapers here. They don't listen to it, as if somebody's blocking the story to be heard, for Ontario—for Canada—to know what's going on here.

1630

All Canadians know that you guys are trying to stop terrorism overseas. I don't know how much the government spends out that way, but I do know terrorism lives here right in our own homes, because I've seen it and I've been through it. I only give thanks to my Creator every day that I'm still alive and well. I wouldn't be here today, I know that—that's who I depend on: my Creator. So I don't depend on my chief and council any more. I don't know; I feel like I got kicked out of my own community. I don't live here any more. I live out in the bush. It's not even my own traplines. I live with my aunts up at Menako. That's where I'm building myself a cabin. I've got no help.

I was working for a taxi company in Pickle Lake. I worked for two years for him and he's helped me out quite a bit. He's given me a vehicle at least to use to travel back and forth. When I ask my chief and council, they won't even give me a hand, not even to move. My mother was here; she lived here. I don't know—she was neglected by her own leaders because after I got incarcerated and I came back, her house was all in a shambles and it was leaking through the roof and the drywall was drying up—there was moss in there or whatever. It was very, very cold. I tried telling the chief and council to get it repaired, and I didn't know my own people were talked into paying rent for houses now. When I got back here: "What do you mean, we have to

pay rent for our houses all of a sudden?" They wanted my mother to pay for that house. I told them, "You're not going to get her to pay for that, because it's not even complete at all. It's not even fit to live in. There's sickness in there."

For this thing here, I don't know. That's why I say to you guys anyway, I don't think you should continue this until you guys have explained to me and my people why there is no justice for me or anybody else who has been unjustified by your government. I know you guys don't know what's happened, but I do. I'm a witness of these terrible crimes. I've been through it. I don't know what you guys think. You guys are politicians. You guys hear this. I wanted to tell you guys this. I have to tell somebody at least because every time I try to tell somebody, they don't seem to hear it. It seems they hear it and then it's gone, like my chief and council. Either that or they don't understand, or they're involved in that crime. I don't know if they're against me or what. I don't know what's going on here.

What I see here now are criminals trying to pass Bill 97 to this reserve. That's what I see. You guys are criminals for trying to pass it, and look at how much money you guys spent, when that money could have been put to good use for the people on the communities. How much money did it cost to come over here? Pretty close to a million dollars, I suppose? No? Not even that? Fifty thousand dollars? No, more than that. Yes, that's a lot of money you guys spent. Even though there's revenue-sharing for the people of First Nations, all of it doesn't get put here. All of it doesn't reach the communities. Only maybe 30% gets to the communities and the rest goes to the Indian Affairs out there, and that's where our houses go.

Did you know the racist letter they have here? Have you read about that, the racist letter they had in the Chronicle-Journal one time a couple of years ago? I don't have it on me, but it states in that racist letter, "You guys were put on a reserve, so stay there."

How are we going to stay there if we've got no houses? If the government put us here on the reserve, why don't they provide the houses? I know what's going on now because of that. There aren't enough houses and we get nowhere. You guys think it's a waste of money.

I don't know if there are any questions you guys have, but that's all I have to say about Bill 97. You guys are just committing more crime for me, for everybody, for my community. You guys don't like crime but you guys are doing it. That's what I see. You guys are doing crime because you haven't answered for the injustice you committed in the past. You haven't answered me, anyway. I haven't heard a word. I've talked to my chief and my council. One of my councillors hasn't answered me yet. He's working on the Department of Justice. He always runs away from me on those things. Look. He's not even here.

The Chair: No. Mr Barrett has a question.

Mr Barrett: We're discussing in part revenue-sharing, and if there were financial resources trans-

ferred—I guess to try and understand where you’re coming from, my question would be, is it as simple as transferring money to a band council or transferring money to a broader grand council treaty group? Are they the best people to make decisions on how those monies or resources are allocated? I think you’re suggesting some unfairness or corruption. Is that what you’re talking about?

Mr Panacheese: Yes, it is unfair. Even what the chief and council have, you guys have negotiated with them. Whatever you guys send over here doesn’t reach the people. They sit down and talk about it and they don’t even let the people know. Then, all of a sudden we just fall into this. Isn’t that a crime? Why drag it in all of a sudden? They don’t hear the people. They hear what you guys are saying, what the people outside are saying. That’s all they follow, but they don’t follow what the people want. My chief and council don’t do that. How come? Are you guys paying them? Is that why? I pay taxes too, and why should I pay taxes if there’s no justice for me or my family?

Mr Barrett: I’m not quite clear: I assume it’s the federal government that has some supervision over band councils. I know there’s talk of heading down the self-government route. But I guess the question is, where are the checks and balances? Who’s on top of that?

Mr Panacheese: Yes. So what I say to this bill is that you guys should sit on it until you do justice for my people—final; I’m closing it. My chief and council are worried. So whatever you guys got from them is no longer. You could stop the whole thing and we’ll start a new one and we’ll answer to new leaders. That’s what I

see through all this. I don’t like it. “We’ll give you a better deal”; in other words, not my chief and council. Please don’t listen to them. I’ve got nothing else to say.

The Chair: Thank you. That concludes our hearings for today.

Mr Miller: Chair, the mayor of Pickle Lake raised the question of First Nations taxing. Could I get clarification on whether or not First Nations have the ability to tax?

The Chair: Research will—

Mr Larry Johnston: No. They do not have it.

Mr Miller: They do not? Are you sure of that?

Mr Johnston: I’m 99.5% sure.

Mr Bisson: I’ll make it 99.9%.

The Chair: OK.

Mr Barrett: Mr Chair, I have a point of order or a point of information, having sat on committees for maybe nine years now: Those bologna sandwiches and the cheese and crackers just hit the spot. I would ask our Chair to formally thank whoever is responsible for pulling that together, probably on short notice.

The Chair: I can do that. There were people who made some last-minute catering possible here today and we want to thank them on behalf of the committee: from the Safe House, Gina Neekan and Diana Bottle; from the school, Daisy Munroe; and the volunteers who were here throughout the meeting—Jeff Neekan, John Chum and Jeff Loon. We thank each and every one of those persons and anybody else who helped out today.

With that, seeing no further points of order, this meeting is adjourned.

The committee adjourned at 1641.

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Standing committee on finance and economic affairs

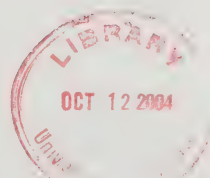
First Nations Resource Revenue
Sharing Act, 2004

Comité permanent des finances et des affaires économiques

Loi de 2004 sur le partage
avec les premières nations
des recettes tirées
de l'exploitation des ressources

Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 22 September 2004

Mercredi 22 septembre 2004

The committee met at 1403 in the Parish Hall, Attawapiskat.

FIRST NATIONS RESOURCE REVENUE
SHARING ACT, 2004LOI DE 2004 SUR LE PARTAGE
AVEC LES PREMIÈRES NATIONS
DES RECETTES TIRÉES

DE L'EXPLOITATION DES RESSOURCES

Consideration of Bill 97, An Act respecting the sharing of resource revenues for First Nations / Projet de loi 97, Loi concernant le partage avec les Premières nations des recettes tirées de l'exploitation des ressources.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. On behalf of the committee, I would like to say to our guests here this afternoon how pleased we are to be in Attawapiskat. The committee members have been here for a few hours now. We've visited the local store and we've been out behind looking at the waters and your lands. We're just very pleased to be here and to meet with you and to hear from you.

So we'll begin the hearings and I would—

Mr Gilles Bisson (Timmins-James Bay): Chair, if you could indulge me for a moment on somewhat of a point of order; really, it will be a point of information.

The Chair: On a point of order, Mr Bisson.

Mr Bisson: Just as the sitting member for Timmins-James Bay, I first of all want to say to the committee that it means a whole lot to the people of James Bay and other communities that we've gone to, that the committee has taken the time to come into the communities, because I think what you're starting to appreciate is that there are many issues that challenge us in these communities, and the fact that committees actually come and listen is, I think, a very important thing.

The other thing you should know—I may stand corrected and Chief Mike will maybe clarify it, but I think this is the first time ever that a standing committee has been in Attawapiskat, so this is somewhat historic. As the member for Timmins-James Bay, I just want to thank the government and thank the Chair and members of the subcommittee for allowing the committee to travel.

The second thing is that I just want to say to my friends who are here from Attawapiskat and others, don't

be intimidated by the process. If you're sitting there and want to have an opportunity to speak and you've not had one—

Interjection.

Mr Bisson:—there you go; Mike is not shy, we know that—just identify yourself to Trevor at the other end—he's waving—and we will certainly accommodate you.

With that, Mr Chair, thank you for the indulgence.

The Chair: We're very pleased to be the first to come. We've enjoyed our tour across the north and I'm sure we're going to enjoy our next day in Moose Factory.

ATTAWAPISKAT FIRST NATION

The Chair: With that, we'll begin with the Attawapiskat First Nation, if they would come forward, please. Whenever you're speaking, the microphones will come on automatically from the people at the desk beside us.

Welcome. You have 30 minutes for your presentation. You may wish to leave time within that 30 minutes for questions from the committee members. I would just ask you to identify yourselves for the purposes of our recording, and you can begin.

Chief Mike Carpenter: Can I ask a question first?

The Chair: Sure.

Chief Carpenter: There are some community members here who don't understand English. Maybe we should have asked for a translation. I don't know whether we want to translate for ourselves.

The Chair: Do we have someone present who could do that?

Mr Bisson: Is there somebody who could translate? If somebody from the community can provide translation, that would be very useful.

Mr David Zimmer (Willowdale): Father Vezina from next door has offered to do that, if he could be of any help. He said he was coming over.

Mr Bisson: I think we just got a taker. Just for Chief Carpenter to know, this is something we try to deal with, to provide translation services. I don't know what happened. It got kind of mucked up. So we apologize on behalf of the committee.

Chief Carpenter: I'm not sure who made the arrangements for you. I figured there was somebody looking after you. So I never took the initiative to find out what was going on.

Mr Bisson: Our apologies.

Chief Carpenter: I apologize for that as well.

Mr Bisson: Well, between the two of us, we're very apologetic.

Chief Carpenter: So how do we proceed?

Mr Bisson: Go ahead. If you want to do Cree and English, Mike, you're more than welcome.

Chief Carpenter: I think I will just do my presentation in English and maybe try to translate into Cree.

We were supposed to do two separate presentations, one from me and one from—it was supposed to be Rick Hendriks, but Rick Hendriks had to go home for personal family reasons. So Myron is here to replace him. I'm just wondering how you're going to—do we get an hour or do we get half an hour and maybe a few minutes extra?

The Chair: The committee's quite flexible. We have discussed that if persons other than the names that are on this list would like to speak at the end of the day, we would allow a half an hour for that. Is that satisfactory?

Chief Carpenter: Sure. Good enough.

Mr Myron Barr: If I could advise the committee that Thomas Tookate is not going to be able to make it. I think he's listed at four o'clock, so there will be time.

The Chair: We want to accommodate you as best we can. So, at the end of the formal presentations that are on the list, we can come back and have more discussions and questioning for half an hour and hear what you have to say. You can begin.

Chief Carpenter: OK. I will start my presentation, then.

I first want to welcome everyone here. I appreciate you taking the time to come and visit our people and hearing our concerns. I just want to welcome all of you. I want to welcome the visitors from outside the community, our elders, our youth and community members. So I'm going to start my presentation now.

Thank you for giving me the time to speak. My name is Mike Carpenter, chief of Attawapiskat First Nation. On behalf of the Attawapiskat First Nation, I would like to thank the legislative committee of Ontario for coming, and we welcome you to Attawapiskat, our traditional territory.

We are here to talk about Bill 97, a proposed act to share resource revenues with First Nations. This discussion has been long overdue, and I want to congratulate the Legislature for starting this process and working toward reconciliation between your government and our First Nation.

Our First Nation is wealthy. We have diamonds in our lands over which we have not yet signed a treaty or resolved our aboriginal title. It is in this context that the largest diamond company in the world, De Beers, has come to us and commenced negotiations for an impact benefits agreement.

We have a clearly defined negotiation process under a signed negotiation agreement which states that De Beers will not build or operate a diamond mine without written consent from us. We negotiated this provision because of our land rights under Canada's constitution. We feel that our rights to our land are a strong reason why we are here today.

As First Nations, we want a meaningful share in what the companies and Ontario get, and a serious say in decisions as to how the lands, including the environment, and the wealth in lands are managed.

1410

Some may say that we have slowed down the Victor project. We cannot apologize for that. We have at all times exercised our legitimate interest in our lands and the development process. We must do this for the betterment of our members and our children.

First Nations will no longer accept a few jobs as resource companies bulldoze our lands. We live here. This is where our rights exist, not in a courthouse in Toronto or Ottawa.

I'll make a few remarks about Bill 97 and my legal counsel will provide more detail. My main concerns about Bill 97 are threefold:

(1) Bill 97 might jeopardize the potential IBA with De Beers and future IBAs;

(2) The bill must focus on a government-to-government relationship concerning true resource revenue-sharing, which is sharing the crown revenues with First Nations; and

(3) The enforced agreement of an arbitrator is completely unacceptable, as the bill seeks to impose a so-called solution determined by one person.

There are several compelling reasons why IBAs need to be left out of this bill and separated from resource revenue-sharing:

(1) Government should not intrude into private contractual agreements with industry and aboriginal groups. The flexibility and creativity that has developed between industry and First Nations should continue to develop and flourish and not be limited or frozen to a one-size-fits-all formula decided by one single arbitrator who thinks he or she knows what is best for every First Nation.

(2) These private agreements bring honour and dignity to First Nation communities. First Nations truly bring value to the table: certainty in light of aboriginal and treaty rights, significant political support, valuable traditional knowledge concerning lands slated for development and a local and motivated workforce. These agreements are a result of fair and good negotiations with compromise from both sides of the table. These agreements are not given or handed out, but negotiated.

(3) Governments should support negotiations of IBAs or similar agreements and not force the outcome.

(4) The current mining tax and royalty regimes permit a significant tax holiday—as much as 10 years—for many developments so that crown royalties, if shared with First Nations, may not be significant. For example, the Victor project is scheduled for 12 years, with the majority of kimberlite mined in the early years. It would not be wise to place all confidence in a potentially small royalty share without maintaining certainty of benefits in an IBA. IBAs need to be protected from the tax planners and the government insiders within the resource sector.

I will defer to our legal counsel to elaborate on the other main concerns, particularly the proposed arbitrator clause.

In conclusion, the Attawapiskat First Nation supports the concept of the bill. However, I also believe that directly impacted communities like Attawapiskat must be given the right to negotiate their own IBA, which will be over and above the proposed revenue-sharing bill.

I also want to remind the Legislature about the Rupert's Land protection pledge, which recognized that our First Nations owned the land and that the resources belonged to us. It states that when development happens on First Nations lands, government must share its revenues with First Nations. To this day this has never been honoured.

Therefore, my recommendation for your Legislature is to hold off third reading to give First Nations more time to talk about this new bill and also avoid having an arbitrator saying what is good for our First Nations. I believe these kinds of discussions should start at a grassroots level and not from the top down.

Thank you for giving me the time to express my concerns.

1420

Mr Bisson: Do you want to do yours as a separate presentation?

Mr Barr: I just asked Chief Carpenter whether he wanted to make a few remarks in Cree. I left it to Chief Carpenter. Otherwise, I would commence my presentation.

Chief Carpenter: *Remarks in Cree.*

Mr Barr: Thank you, Chief Carpenter, and good afternoon, Mr Chairman and members of the committee. I'm Myron Barr, legal counsel for the Attawapiskat First Nation. I'm pleased to have some time to address Bill 97.

I'm a member of the Law Society of Upper Canada, and I should say at the outset that I trust the members of the committee have the written submissions that I have. I don't propose to go through all of it, because of time constraints, but I would invite members of the committee at the end of the session, if they have any questions—certainly I respectfully request them to review the written submissions when there's a break.

Chief Carpenter: Excuse me, can I have the English translated for the people who can't speak or understand English? So I think you've got to make it short when you talk.

Mr Barr: OK, I'll make it short.

Mr Bisson: Chief Mike, are you prepared to translate for the whole session? We still need another translator.

Chief Carpenter: I'll go and look for him.

Mr Bisson: If you have a translator, the committee will pay for the translator.

The Chair: What we need to happen is, when you say something, you'll have to stop and let him speak.

Mr Barr: Yes, exactly.

Interjection: We'll give you part-time wages.

Chief Carpenter: Yes, just until we get somebody else. We're looking for Gerald Mattinas to do the translation.

The Chair: I assume you would need to use—not read a whole page.

Mr Barr: No, I'll very briefly sort of hit the highlights, if you will.

The Chair: Very good.

1430

Mr Barr: Good afternoon, Mr Chairman and members of the committee. I am Myron Barr, legal counsel for the Attawapiskat First Nation.

I must say that the intent of Bill 97 is a breath of fresh air for those of us working with First Nations in Ontario. After years in the wilderness the Ontario government is beginning to take its first serious steps in its fiduciary duty to First Nations.

As Chief Carpenter made clear this afternoon, the Attawapiskat First Nation supports the general intent of this bill but has serious concerns about the specifics.

My submissions take the form of constructive criticism intended to assist the committee to focus the positive intent behind the bill into meaningful legislation that truly brings about revenue-sharing between Ontario and First Nations governments. Resource revenue-sharing between Ontario and First Nations is long overdue. I believe one of the reasons we are having this discussion today is a result of Attawapiskat raising the issues of aboriginal jurisdiction in resource development.

The Attawapiskat First Nation believes that Bill 97 is intended to ensure that northern Ontario First Nations receive a baseline of revenue-sharing from resource development on their lands. It is important to appreciate that this bill is not a gift to First Nations, nor does it create an entitlement for bands to resource development compensation that does not already exist in Ontario and Canada. Bill 97 is a first step, with much legislative drafting work to follow, in formalizing the Ontario government's legal obligations to First Nations.

At schedule A of my written submissions, we have suggested revisions to the legislation. For example, the preamble would clarify that the legislation is designed to ensure that the crown's duty to First Nations is met, instead of the current wording, which is well-meaning but which suggests the bill is a gift to impoverished and helpless aboriginal communities.

The major concern the Attawapiskat First Nation has is the potential jeopardy to the IBA negotiations which are currently taking place. It is absolutely vital that the committee appreciate and maintain the distinction between an IBA and the Ontario government's duty to First Nations within a bill like Bill 97.

Ontario's fiduciary duty to First Nations includes a duty to consult meaningfully regarding resource development and, importantly, to provide compensation for infringement.

Without greater clarity, it is quite possible that resource companies will enter the proposed process instead of negotiating IBAs. The three-year window could become a delay mechanism, during which time resource development would continue, absent the ability of First Nations to take the companies and government to court.

The proposed arbitration process that ends with an imposed settlement is unacceptable in the context of aboriginal and treaty rights protected by the crown's fiduciary duty. The concerns are detailed in appendix A.

1440

Bill 97 should not be directed at resource companies and their relationships with First Nations. The bill should serve to create a mechanism for direct negotiations between Ontario First Nations and the Ontario government for resource revenue-sharing such as royalties, taxes and rents that the government already collects. A bill that establishes a medium for Ontario to fulfill its fiduciary duty to First Nations would be a tremendous precedent in aboriginal relations in this country. Bill 97 should focus directly on the First Nation-government relationship, not on the First Nation-resource company relationship.

As I've said earlier, our recommendations are at appendix A. I do not want to take up your time in my oral presentation. Chief Carpenter and I would be happy to answer any questions you may have at the end of our presentation.

I just want to end this presentation and state that the Attawapiskat First Nation does not support Bill 97 as currently written. The primary concern is that the proposal to have three parties at the table will dramatically alter the current landscape for private resource company negotiations. The definition of the proposed revenue-sharing agreement, traditional lands and even "First Nation" is far too vague to withstand serious scrutiny and legal challenge. The 90-day negotiation ramp-up would prove completely unfeasible for most First Nations, who lack the financial and technical expertise to prepare for this type of negotiation.

I want to leave the committee with a strong reminder that the underlying intent of the bill is worthy and long overdue. I ask that you retain the name of the bill and the underlying principle in it, ensuring that Ontario First Nations share equitably in the government of Ontario's resource bounty and focus on preparing legislation that will work. Attawapiskat is committed to helping this committee make that happen.

Thank you, Meegwetich.

The Chair: We're over your half-hour, but as agreed, you will come back to the table and members can ask questions at that time. Thank you, gentlemen.

MUSHKEGOWUK TRIBAL COUNCIL

The Chair: I'll call up Grand Chief Stan Louttit. While the Grand Chief is making his way to the table, I'll remind you that when we are asking questions later, it will all be translated. So keep that in mind as you formulate your questions.

Good afternoon. You have half an hour for your presentation. You may allow time for questions within that half-hour. We will give copies of this to all the members. If you would just state your name for our recording.

Grand Chief Stan Louttit: I'm Stan Louttit, Grand Chief of Mushkegowuk Council. With me here is the

Deputy Grand Chief of Mushkegowuk Council, Jonathan Solomon. I would like to thank you for the opportunity to present some thoughts and ideas on revenue-sharing to this committee on behalf of the Mushkegowuk Council. As well, I'd like to welcome you to the Mushkegowuk region and territory and homelands of the Cree people of James Bay. And in particular, as Chief Mike Carpenter said, "Welcome to the homelands of the Attawapiskat First Nation."

1450

The deputy grand chief, Jonathan, and I will be presenting this report in two parts. First, the deputy grand chief will start off with a background and some history and some examples of what revenue-sharing is in the Mushkegowuk territory.

Deputy Grand Chief Jonathan Solomon: Good afternoon, ladies and gentlemen. I'm Jonathan Solomon, Deputy Grand Chief, Mushkegowuk Council. Let me begin by speaking about the Mushkegowuk region in which you find yourselves this week.

The James and Hudson Bay lowlands are perhaps one of the biggest wetland complexes in the world. They occupy more than one quarter of the surface area of Ontario. It is an area that has a diverse and unique ecosystem that is particularly well-suited to the extreme temperatures of the local climate. It is rich in wildlife species that are found in no other parts of Ontario. The shores of James Bay also provide one of the most significant continental breeding grounds for a wide variety of birds and waterfowl.

The Cree people have lived in the James Bay lowlands since time immemorial. We are the Omushkego, the people of the muskeg, the people of this land that you are visiting. Over many years, we have adapted to the environment and changes to the region.

With the coming of the Hudson's Bay Company more than 300 years ago, our people adjusted their lifestyles to take advantage of the new economy of the fur trade. For many years, the Muskego Cree were the principal suppliers of the fur clothes for much of Europe. We also used our knowledge and skills to ensure not only the enhancement of trade, but the very survival of many of the resource developers of that era.

We are not pointing this out for historical interest, but rather to show that we have a long record of being able to use our knowledge, skills, as well as the riches of our traditional lands to be part of a larger economic system.

The context of revenue-sharing: In 1869, the new nation of Canada, including the province of Ontario, petitioned Great Britain to have the Mushkegowuk region added to Canada. In 1870, in exchange for the transfer of Rupert's Land, Canada made the following protection pledge: "That upon the transference of the territories in question to the Canadian government, it will be the duty of the government to make adequate provisions for the protection of the Indian tribes whose interest and well-being are involved in the transfer." This protection pledge was incorporated into the Rupert's Land order and became part of Canada's Constitution in 1870. We, the

Mushkegowuk people, are still asking for protection of our rights and well-being.

In recent years, the loss of fur-trapping has resulted in a difficult economic situation that has also led to cultural and financial hardships which our First Nations have struggled to overcome. In the last 10 years, the province of Ontario has prospered, but our communities have not benefited from that prosperity.

1500

As provincial average unemployment rates dropped from 9.1% to 6.1% between 1996 and 2001, the rates in our First Nations did not change. In some communities, there is an average of 80% unemployment. At the same time, the proportion of First Nation members as a part of the regional population continues to grow as many of the smaller towns in the region continue to decline. There are numerous other examples that we could present, including average income and people living below the poverty line, but the message is the same: The people of Mushkegowuk First Nations wish to participate more fully in the economy of Ontario.

We are now at the beginning of a new economic era for the region. In recent years, the southern portion of the traditional lands of New Post, Chapleau Cree and Missanabie Cree First Nations have seen the widespread impact of forestry, mining and other activities with little or no benefit to those First Nations. These communities are now working toward becoming actively engaged in these sectors, not only for employment but as equity shareholders, managers and planners. We are also looking for new opportunities to make better use of the resources available, including value-added products, new resources and environmentally friendly energy production.

At the same time, there are now an increasing number of opportunities for natural resource development in the northern part of Mushkegowuk First Nation territories, including the lands of Moose Cree, Fort Albany, Kashechewan and Attawapiskat First Nations. This part of the region is seeing increased interest by many outside investors in our potential wealth of metals, minerals, gemstones, forests, wind and water power. Much of the region has not been examined in an extensive method for the wealth that might be hidden under the muskeg.

It is the desire of the Mushkegowuk First Nations that the development of resources in their territories occurs in ways that are sustainable, environmentally responsible and from which they receive a fair share of the economic benefits.

As such, we have already begun work on a Mushkegowuk resource development protocol. The protocol is a framework for the Mushkegowuk First Nations, federal-provincial governments and industry to work together on developing and managing natural resources in Mushkegowuk Council territory. Mushkegowuk Council hopes that the protocol will receive the acceptance of the Ontario government and that it will lead to greater clarity of First Nations expectations for future development.

Through the protocol we hope to provide industries and governments with a clear and consistent process for dealing with First Nations on resource development issues; standardize a process of communication between First Nations, industries and governments regarding the development of resources; and identify the terms under which First Nations agree to the development of resources.

Grand Chief Louttit: Mushkegowuk interest in revenue-sharing: Over the last few years we have also become very interested in the potential of revenue-sharing from natural resources. In December 2002, we had a motion introduced in the Parliament of Ontario, calling for a discussion of revenue-sharing. That motion received the support of many members at the time, including many of those now in the provincial government.

More recently, Mushkegowuk Council was pleased to see that Bill 97, the First Nations Resource Revenue-sharing Act, passed second reading in the provincial Parliament and has been referred to this committee for discussion.

1510

We see this as an opportunity to dialogue with the provincial government about this important matter. We see great potential in the idea of revenue-sharing and its possible role in building prosperity not only for First Nations, but for everyone in Ontario.

Revenue-sharing cannot be seen in isolation, but as one tool that can affect many different issues. It could be a step in a broader process of addressing and resolving aboriginal and treaty rights and working toward a broader goal of building a healthy, respectful relationship between First Nations and the province.

Mushkegowuk Council believes that revenue-sharing could also be part of an effort to develop a stronger and more comprehensive system of managing natural resources in the far north. Better management could include a bigger role for First Nations. Aboriginal peoples are the traditional caretakers of the land, and they must become more involved in the planning, permitting and decision-making over the development of resources.

In order for development to occur in a predictable and orderly manner, First Nations must have their voices heard in all decision-making, from land use planning to project pre-development, through the environmental assessment and permitting processes and on to project implementation. If the First Nations are not an integral part of every step, then projects will face greater uncertainty and unnecessary delays.

Revenue-sharing must be seen as an opportunity to bring stability and co-operation to the future development of northern Ontario, leading to increased investment and more sustainable development. It also must be broadly based so as not to affect or impact any one industry or sector above another. Discussions need to address all resource use and development, including mining royalties, forestry stumpage, water power royalties, resource-based tourism taxes and permits and other resource-use revenue streams, including hunting/fishing permits, land use permits etc.

The way forward: The implementation of any form of revenue-sharing is something that should be negotiated between the crown and First Nations. Mushkegowuk First Nations and the province of Ontario are signatories to Treaty 9 and thus have a unique relationship. As part of the process of developing and implementing revenue-sharing, we recognize that it may be necessary to provide forums for the participation of other interests, including resource-based industries, but the negotiations must be conducted in a bilateral process that will begin to build a long-term and healthier relationship. We believe revenue-sharing should be based on a regional model, which will allow for the management of collective interests and concerns. Local concerns for any project, including the mitigation and compensation for impacts, will best take place at a local level with the negotiation of impact benefit agreements between First Nations and resource developers.

Mushkegowuk Council has had a long interest in the topic of revenue-sharing and has made our voices heard for many years. As a result, we are willing to begin the negotiation of revenue-sharing with the province of Ontario as soon as a process and scope for negotiations can be mutually agreed upon. We already have a strong regional structure in place that can be used to negotiate an agreement and begin to ensure that the benefits of revenue-sharing can be implemented in a way that works co-operatively for First Nations, the province of Ontario and the resource industries.

1520

Thank you for taking the time to listen to our thoughts on this important issue, and we hope that this will be the first step in a strong and healthy dialogue. Meegwetich.

The Chair: Thank you for your presentation. We'll allow for one question per caucus. I ask members to recall that it needs to be translated.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Thank you, Grand Chief Louttit and Deputy Grand Chief Solomon, and thank you for that translation. I very much enjoyed spending some time in your area.

There is so much to discuss. I'll just focus on one small area. You made mention of the decline of fur-trapping and 80% unemployment in many areas. As we discuss revenue-sharing and better management, planning and permitting of, say, the mining activity, I guess my question is in one area, not only revenue-sharing—and maybe I'm asking this in part on behalf of young people I've seen in this community today. Is it possible for communities to work with mining companies to create a better arrangement, where young people and adults can be part of the economic activity and have jobs, essentially, where the company operates its business perhaps in a different way, perhaps an arrangement where they operate on a seasonal basis, where a community achieves or accrues not only revenue but also more employment, where a company operates in a different way, more in keeping with how people operate here, given other traditional activities?

Grand Chief Louttit: I'll respond to your question in three ways.

If in fact communities are able to benefit from revenue-sharing, that will be a tool to assist the communities in developing programs, building capacity and gaining employment and training for their people, and in how to impact benefit agreements.

First Nations can and should negotiate some elements of their agreement to enhance opportunities for their youth and for the cultural and traditional development of their young people.

Finally, such an example would be a program patterned after something similar to what the Cree of Quebec have, something they refer to as an income security program. Basically it is subsidizing individuals, particularly youth, who wish to go out on the land, because I don't know how feasible it is right now for an individual to make an adequate income from living off the land and trapping and harvesting. If there were a subsidy or some assistance to provide for those families and individuals who want to go out on the land, it would be an incentive for them to go out and to also develop that part of their culture and identity.

1530

The Chair: We'll move to Mr Bisson. Try to keep your question as direct as possible.

Mr Bisson: First of all, a very quick comment and then a question. The comment is that I think you appreciate we're in a process to try to develop legislation that responds to revenue-sharing. Many of the recommendations that we're getting from people who present will result in amendments to legislation in keeping with what you're looking for.

My question is around the arbitrator section. It's simply this: Are you suggesting that it be open-ended negotiations with no arbitrator, or are you suggesting another mechanism to force the government to deal with you more seriously?

Grand Chief Louttit: First of all, I am supportive of the position taken by Chief Mike Carpenter of the Attawapiskat First Nation, in regard to their position on the arbitration clause. If we are truly going to be discussing this issue on a government-to-government basis, then surely we should be able to find a common understanding in terms of how we might be able to resolve those differences and disputes and that kind of thing.

Mr Mike Colle (Eglinton-Lawrence): Again, thank you very much. There are so many issues and so many questions to ask and so much information we require that I think the important thing, as you have stated and as Chief Michael Carpenter said, is that you are willing to dialogue government-to-government and to work with us. That's the comment I had.

The Chair: Do you care to respond?

Deputy Grand Chief Solomon: I'll respond first. In regard to your comments, thank you very much. I think this is what we've been saying all along, that we want to have a relationship with the governments at both levels on a government-to-government basis. It is an opportunity. As the grand chief said, if people are willing to work in the common sense, why do we need somebody

on a third-party case to arbitrate? I think that's very straightforward, to state that we are very much in support of working together.

In regard to this bill, there may be other things in the future.

Grand Chief Louttit: There seems to be some support within the Liberal cabinet of Ontario for this proposed bill. One such supporter of this bill is the Minister of Natural Resources, David Ramsay. I had an opportunity to meet with Mr Ramsay yesterday in Moose Factory and I presented this issue and, on the record, he is very supportive of this particular issue and wishes to champion the cause.

The Chair: Thank you for your presentation.

JOHN "CHARLIE" WHITE

FRED WESLEY

The Chair: I would call on Chapeau Cree First Nation. Good afternoon. You have 30 minutes for your presentation. You may allow for questions within that 30 minutes. I'd ask you to state your name for the purpose of our recording.

Mr John "Charlie" White: My name is John "Charlie" White. One of our esteemed elders had asked me to share my time with him. Could we arrange that? I will not exceed maybe 15, 20 minutes, and then he could—

The Chair: That's fine. I'm sure you're aware that we're translating everything.

Mr White: I know how Gerry works.

The Chair: Very good. I thought you would. Go ahead, sir.

Mr White: The gentleman beside me is Mr Fred Wesley.

I'd like to begin speaking as a First Nation person and one who is probably known as one of the grassroots people in the community. I would like to first of all take the opportunity to thank the committee for the opportunity to share some of my thoughts and concerns with you regarding Bill 97.

My name is John "Charlie" White. I'm a member of the Chapeau Cree First Nation. It's just down the road a bit. I've been over here from Thunder Bay since 1980.

Currently, I'm working as an independent consultant here in Attawapiskat for AMEC on the Victor diamond project.

1540

Speaking to the bill, first let me say that it is my belief that this bill will be a positive step in what I see is a long process in building trust with First Nations.

Historically speaking, First Nation peoples have not been recognized as equals in this country. In areas such as health, education and economics, and in many of the basic needs of life, we are far behind the general population.

When one considers northern Ontario and the vast amount of natural resources that have been developed

over the past hundred years, I think it's fair to say that the original inhabitants from whose lands these resources were developed did not benefit to any great extent. If anything, this phenomenon we call resource development has been detrimental to many of the First Nations over the years.

One example of this that I would like to share with you is in the Chapeau area, where I was born and raised. The provincial government created a game preserve called the Chapeau Game Preserve. This caused the removal of one entire First Nation. This area was and still is the traditional land of several First Nations, including my own. As a result of this being a game preserve, the governments of the day made it illegal for our people to harvest food or furs from this 100-square-mile preserve. Many of our people went to jail for trapping and hunting in this area in the 1940s and 1950s.

We still see this game preserve as our traditional land, and while we have to break provincial game laws to continue to do those activities that are supposedly guaranteed in the treaty, this has special meaning for me personally, because one of the signatories on that treaty was my great-grand-uncle.

Many timber company owners got very rich by harvesting the timber resources in this game preserve and they continue to do that today. It should be noted that in the western quadrant of this game preserve there is a large amount of land owned by the Algoma Steel Corp. I'm sure that this too has an interesting history.

My points here are not to complain so much about the past and ongoing injustices; however, I feel I have an obligation to present the side of the First Nations in this story. The legacy we leave to our children would not be complete if we did not speak out on these issues.

I do believe we should move forward in attempting to put in place a process that will be of some benefit to aboriginal peoples, resource companies and the government. We should always try for win-win solutions.

I have read most of the Hansard record regarding Bill 97. Some of the more interesting points made are issues like "the cycle of dependency." This situation is so true, and to break this would be a formidable challenge for anyone.

It is interesting to note that the question of vaguely defining traditional lands seems to be the determining factor in voting against this bill. There is a statement to the effect that designated lands would be supported, and yet there is no definition of designated lands. My definition of designated lands is all lands identified in Treaty 9.

Many comments were made, while debating Bill 97, concerning the high cost of goods and services in First Nation communities. This morning I spoke with Chief Eli Moonias of the Marten Falls First Nation on these issues and the need for road transportation to his community. The quality of life would surely improve with the availability of an all-season road, not only to Marten Falls but to all communities.

1550

I realize there are some complications and roadblocks that continually come up in getting a bill through the

Legislature, and I am hopeful that such visits as this are helpful, not only by showing the high cost of goods and services but in getting to understand the issues that must be addressed.

The next few comments I make with all full respect to the people they address. In terms of protocol and process, it is my position that individual First Nations must take the lead in whatever protocol evolves from this bill. I say this because of the cycle of dependence. This is of the utmost importance, because the needs of individual First Nations are as varied as the First Nations themselves, and to insert another political level in this process would not be in the best interests of the First Nations.

Aboriginal political organizations have a role to play in the overall scheme of aboriginal community, but the sovereignty of each First Nation must be respected and remain intact. To do otherwise would establish an environment that would not be democratic; it would become bureaucratic. We, as First Nations people, are very familiar with bureaucratic kinds of systems.

The system in place today, or the process used today, for our First Nations to share revenue from resource development is one that appears to be overloaded with legalistic processes under the guise of "protecting your rights." The only people who are served well in this process are the lawyers who become rich, and I find this approach very costly and very close to being immoral. Our rights are protected in the Canadian Constitution. I personally will hang my hat on my rights as guaranteed under the Canadian Constitution.

No one can speak for a First Nation with any understanding and passion other than its own people. That is why I support the individual First Nation approach to this very important initiative.

Getting the parties together to establish a process of revenue-sharing with resource companies is a good start, and if nothing else, it will shed some light on many of the economic hardships currently being endured by First Nations.

Perhaps the provincial government will consider recognizing and respecting First Nations as legitimate governments. If this is done, then perhaps they should consider sharing the taxes they are receiving from the many resource development activities taking place on these traditional lands. There are many ways they can work this out without adding more costs to development.

In summary, I would like to congratulate Mr Bisson for having a vision, in terms of aboriginal issues, in putting together this bill. I would also like to extend my thanks to the members of the standing committee and the secretary, Trevor Day, for their time and help in making this brief presentation.

The Chair: Thank you.

Mr Fred Wesley: My name is Fred Wesley. I'm a former chief. Just recently I was a deputy chief for the last three years.

I would like to thank the Chair and also all the committee members. Welcome to Attawapiskat.

I just want to start with a document I presented at Severn council. At a later date I guess I'll forward it to

you, Mr Chairman. It's entitled Compelling Megaproject Resource Development, about the potentially serious adverse impact of the diamond mine on land claims, which is of interest to the Attawapiskat First Nations Cree people.

1600

I'll just start off by saying that we, the Cree band members of the Attawapiskat First Nations, located on the western coast of James Bay in northern Ontario, Canada, are asserting our right to a pre-colonial land base claim. Claim to this land is heavily substantiated by (a) the Canadian federal government's INAC records, which document membership of the Attawapiskat band, including Attawapiskat band identification numbers and other statutory recognitions that are enshrined by the Indian Act; and (b) documentation of Cree cultural and other relevant details by anthropologists and other scholars who have worked in this area since the late 1940s and, more recently, research, equally documented by the law firm, on the status of all unfulfilled treaty land entitlement surrounding the circumstances of the 1905 treaty and the subsequent adhesion treaty of 1929.

Attawapiskat Cree people, since time immemorial and from generation to generation—our forefathers—have maintained that our traditional nomadic culture justifies pre-existing direct ownership of the land, present-day claim of its ownership, which was never relinquished, and this confirms our inherent rights of entitlement to the revenue shares by resource development as the original owners of the land. Furthermore, we as Attawapiskat First Nations, as a distinct society, claim that our traditional Cree culture expands traditional rights and the title to our land base to the existing boundaries historically identified, in particular a trademark of cultural significance, to the area of the potential diamond mine site and activities that take place.

I just don't want to take time with that; I'll skip some of the areas. But just to give you an example of the issues that have been outstanding in terms of the land issue, in 1961 the unfulfilled Treaty 9 entitlement awarded to Attawapiskat its original legal survey reserve land. The population of Attawapiskat in 1961 was between 500 to 800 on- and off-reserve people. These were registered band members. Approximately 100 family heads were given a land entitlement of 1.5 square miles of reserve land that we are now sitting on. The formula of 1.5 square miles of reserve land that was used in 1929 was meant for a family of five. The 1929 Treaty 9 adhesion created an outstanding land entitlement of 170 square miles. Furthermore, the current population of Attawapiskat exceeds 2,000 on- and off-reserve registered band members, which includes more than 470 family heads. The interest value of this outstanding unfulfilled treaty land entitlement of the Attawapiskat First Nations Cree people amounts to more than 700 square miles.

I want to get to the research documentation. The work of John Honigsmann substantiates a joint venture between the Attawapiskat Cree and the Hudson's Bay Co where beaver were captured live in cages on the mainland and

introduced to Akimiski Island, where the beaver population rapidly multiplied with sustained fur trade and harvest activities for years that followed.

Also, research of documents shows that when the Hudson's Bay Co was dominant in the Dominion of Canada, the king and queen of England awarded the HBC a large tract of land in Canada without proper acknowledgement and respect of the rights and ownership of the Attawapiskat Cree people.

1610

Land is a critical resource for the Attawapiskat Cree people, who depend on it for physical and spiritual well-being. Protection of pre-existing Cree land rights and title to this land must have the blanket ministerial coverage of an agreement under the provisions of the Canadian Environmental Protection Act of 1999. The provisions under CEPA will empower, as a leverage, demanding INAC to speed up the land-claims process for a speedier settlement of the outstanding unfulfilled treaty land entitlement and, in the wake of that, a compelling resource development.

The goal of the Attawapiskat Crees is a fair win-win situation based on an effective communication of understanding which copes with cultural differences. The Attawapiskat Crees prefer options and not ultimatums. With this proactive and progressive thinking, De Beers initiated reaction to provide the Attawapiskat Cree people with expert advice on a viable economic development that will ultimately expand to the commercial arena for Attawapiskat band members.

By contrast, it can be said the government of Canada is presenting ultimatums over land claims, insisting on an outstanding welfare dependency mentality, instead of a modern viewpoint to provide guidance to the commercial arena of opportunities which would ultimately result in lasting benefits from compelling mega-project resource development.

I just want to conclude by saying that Bill 97 that is presented by you before us—I don't know if it's a blessing in disguise, but on the anniversary of 100 years of the treaty of 1905 that will take place next year, I hope this committee will bring optimism rather than the pessimistic view that we've had the last 100 years.

I just wanted to say to the committee members that we need the resources to make this a legal—as participants, for section 97 to be effective, we would need the resources, the funding and the full capacity. Without this financing, we will look at it as another assimilation policy that was always inconsistent with the 100 years of existence with the treaty.

Before I conclude, I just wanted to thank Gilles Bisson for initiating this resource development process that is taking place right now. Thank you, Mr Bisson.

Mr Chairman, I'll send you all of the information that I have, in consultation with my chief and council, to substantiate the reference material that I used to guide me to make this statement.

1620

The Chair: Thank you, gentlemen. We'll have one quick question in rotation and we'll begin with the NDP.

Mr Bisson: There is a whole bunch, and I don't know where to begin. What I'm hearing is that what you want is an open process that at the end does not arbitrate a decision on to the First Nations. My only question is, how open-ended does it need to be? Do we need to put a timeline?

Mr White: My experience with timelines, in terms of discussions with First Nations peoples, is that they are not quite the same as we in the non-First Nation community see them. I think to put that in might not be in the best interests of the First Nations.

The Chair: We'll move to the government.

Mr Colle: Just a question of clarification, Mr White: Are you speaking on behalf of the Chapleau Cree First Nation?

Mr White: I'm speaking as a grassroots, independent, freethinking Chapleau Cree band member.

Mr Colle: OK, thank you. We like freethinkers around.

Mr White: I might add that I did discuss it with my chief. I did discuss it with Grand Chief Stan very briefly. Other than that, those are all my thoughts.

Mr Norm Miller (Parry Sound-Muskoka): Thank you for your presentation. Earlier I was happy to have time, before the session started, to walk around the community and I bumped into Mr White, who figured I must be lost.

The other thing I noticed, walking around the community, was that Gilles Bisson has his election signs up already.

Mr Bisson: We have a fantastic sign crew, I must say.

Mr Miller: On a more serious note, Mr White, you work for a company that's working on the De Beers project.

Mr White: That's correct.

Mr Miller: You are very successful and I think a role model for the youth of aboriginal communities. We've had a number of resource companies like Placer Dome and Buchanan Forest Products, and also the Ontario Mining Association and the Ontario Prospectors Association, come before the committee. They are concerned that Bill 97 will mean extra costs for business and will negatively affect business. Do you think they are correct?

Mr White: I have some knowledge of Placer Dome. I did a contract for them a few years ago. I was in their employ for a short period of time. I've worked with aboriginal youth for several years, so I know they're there. Quite often I get accused of speaking like a white man, but I don't think the white people are going to go away.

Mr Bisson: You certainly can't take down our signs.

Mr White: No, we can't take your signs down.

But quite seriously, I do feel like an aboriginal person some days and some days I feel like a non-aboriginal person, especially when I go out with my French-Canadian wife.

Quite honestly in business, in answer to your question—and I run an independent consulting business—there are only so many dollars to go around that make a

business viable. To increase that amount would be detrimental and it would not be good for business; it would not be good for anyone. If it's not good for business, it's not going to be good for anybody. I believe that. If I were a lawyer, I might think differently, but I'm not a lawyer.

The Chair: Thank you for your presentation.

NISHNAWBE ASKI NATION

The Chair: I would ask the Nishnawbe Aski Nation to come forward. Good afternoon. You have 30 minutes for your presentation. You may leave time for questions, if you wish. I would ask you to state your name for our recording Hansard. You may begin.

Deputy Grand Chief Dan Koosees: Thank you, Mr Chairman. I want to ask you something. Did you ever find out how French people ended up in Ontario or Manitoba? They were playing hockey and they were on a breakaway.

1630

I'd like to thank the committee for giving me the opportunity to make a presentation. I believe Grand Chief Stan Beardy made an extensive presentation with Sioux Lookout and Mishkeegogamang, so my presentation will be short and sweet. But I also have an opportunity to address the committee in Moose Factory tomorrow morning. So I'm pleased to be here to provide my comments today.

I want to present a bit of a different perspective and provide you with a little more to think about.

Nishnawbe Aski Nation, as an organization, has been following these hearings very closely and has noted the interest in making it appear that resource development is an issue of attracting investment and further building their economy. For First Nations, it is an issue of implementing the treaty, a treaty of sharing, and the need to deal with some of our socio-economic conditions so that we can provide a better future for our youth. So you have before you the perspective to consider and decide maybe what is more important and what is fair and just.

We have hammered down our socio-economic statistics. I think, at this point, it is very clear to you that we are in a very bad situation. We all know the numbers. There is no question that this has been established and that you, as a committee, sympathize with our situation.

Today, I want to move you a step beyond this and talk about how we see a future revenue-sharing relationship with the province.

Over the course of these hearings, industry has made it clear that they believe that it is inappropriate for them to be negotiating agreements with First Nations that contain aboriginal and treaty rights, and that it must be left to the fiduciary, which is the province. We are in total agreement with this. We agree that revenue-sharing must be done: a government-to-government relationship. Revenue-sharing goes to the very heart of aboriginal and treaty rights.

Industry was not a party of the treaty, as such. After the hearings are over, this must be applied. We have

already received the industry positions on how they would like to see a future revenue-sharing agreement play out, such as not having to pay their dues to Ontario twice or having revenue-sharing applied solely to new projects in the far north.

The important point is that First Nations and industry agree in principle with revenue-sharing. Where we disagree is on the parties at the table and the details of the new bill.

It is time to take that agreement in principle and proceed government-to-government. We no longer need industry input. As a matter of fact, they have already said that these discussions must be government-to-government.

Communities will continue to discuss and negotiate with industry on economic and business opportunities, but we prefer to keep revenue-sharing a separate issue between the crown and First Nations.

I know that a lot of you have asked questions about how the bill will impact on the current economy, and if it will create any kind of uncertainty for future investment and economic growth. We know it is your responsibility as a government to be concerned about these things, but we really must provide you with our views and realities on this.

1640

Industry has been saying that the proposed bill will risk increased costs and discourage investment in industry. The real risk is that First Nations will not allow these kinds of activities to take place without revenue-sharing.

What revenue-sharing actually does is it very much works to provide more certainty. We want an orderly mechanism at our disposal, rather than a disorderly one where First Nations have to resort to other activities. Without just and equitable revenue-sharing, we will have to resort to challenging industry's social licence to operate on our land in the markets and stock exchanges of the world by encouraging boycotts and other activities. We will no longer allow industry or the Ontario government the opportunity to compromise our indigenous rights in a socially irresponsible manner. In short, "There will be no more lives lost of our youth for diamonds, gold or two-by-fours."

Yes, we know that the bill as it stands now contains a lot of unknowns and that revenue-sharing is a complicated exercise, but let us not let that stop us. We need and support Bill 97 in principle. Let us now start a process of talking about its mechanics through a bilateral table.

I don't believe that we are being unfair or are asking for something that is unreasonable. We need your co-operation in order to make things work. Meegwetch.

The Chair: Thank you. We have time for questions, and we begin this round with the government.

Mr Colle: I think we'll ask questions of Deputy Grand Chief Dan Koosees tomorrow in Moose Factory. I think some elders want to address the committee, so we'll look forward to asking questions tomorrow.

The Chair: Mr Miller?

Mr Miller: Thank you for your presentation. Bill 97, as it stands right now, starts geographically at the French River. Should Bill 97 apply to the whole province or just the area north of the French River, as it currently does?

Deputy Chief Koosees: I certainly cannot speak for people—to me, Timmins is south.

Mr Chairman, I do want to comment regarding some of the questions that were asked earlier in some of the presentations. I wanted to comment on the issue the gentleman raised earlier about revenue-sharing with industries. I think the problem with establishing legislation that covers revenue-sharing with industries is that we all know the global economy controls and dictates these industries. If you limit the revenue-sharing process with the companies only, you understand that is based on economy, on how the business world operates from time to time. I think the important thing the committee needs to understand is that you're here more often talking about the treaties that were negotiated by the federal government, as witnessed by the Ontario government. Those are the government-to-government relations we're talking about, because many times over the years, native people have experienced, when dealing with the companies, that at the end of the day it's Indian people who get laid off when a business goes bad. So we can't limit ourselves to that position.

The other thing I want to make a comment on is the question that came out around arbitration. We are not Ontarians; we are Mushkegowuk people who have nationhood. Treaties do not make nations; nations make treaties, and I want you to understand that. For us to establish a reasonable agreement with the province or maybe even with the federal government, I think the ultimate goal for all parties is to reach a shared jurisdiction on resource development. That is the ultimate goal we need to reach. It's very important that we understand the benefits we're talking about. It's all about mutual interest, mutual benefits. Thank you very much.

The Chair: Thank you. The NDP?

1650

Mr Michael Prue (Beaches-East York): I have a question. We are starting to see, not only in Canada but around the world, many indigenous people refuse to put up with poverty or their station. Whether it be in Australia or Brazil or Mexico or Canada or the United States, it's the same thing. You are suggesting that we ought not to listen to industry telling us that they will fold up their tents and go away or not come here at all if we try to have revenue-sharing. The reality is that a legitimate cost of doing business is dealing with you fairly.

You have suggested that you as a people, as a nation, are prepared to take them on in the markets and the stock exchanges etc. Is this widespread? I'm hearing this from other people, but is this a firm, widespread view of your people?

Deputy Chief Koosees: I think I mentioned earlier in my presentation that *[inaudible]* is going to be com-

plicated. I think we can flesh out the idea of revenue-sharing by having more dialogue with the Ontario government as well as industry, which will clear up a lot of the stuff we talked about.

I don't necessarily know too much of what's going on in other countries: if they have a colonial government or if they made treaties with other indigenous people. But in our country, in Canada, I think revenue-sharing is overdue, and it's something we understood when our forefathers signed the treaty that we would share resources in our mutual interest as well as *[inaudible]* the questions that you talk about.

Mr Prue: I don't either, but we'll talk later.

The Chair: Thank you very much for your presentation.

ATTAWAPISKAT FIRST NATION

The Chair: As agreed earlier in the afternoon, we will now have the Attawapiskat First Nation.

Interjection.

The Chair: I was calling on the Attawapiskat First Nation to come forward. You have another half-hour.

Interjection.

The Chair: We have other names on the list as well.

Chief Carpenter: Were you calling me?

The Chair: Yes.

Chief Carpenter: I think there are elders who wanted to speak.

The Chair: Yes, we have them on the list as well, but we said that you would have another half-hour for you.

Chief Carpenter: Me? I don't have anything further to say.

The Chair: Chief, if you don't mind, when you presented the last time, there was no opportunity for questions. Would you mind 10 minutes of questions?

Chief Carpenter: Sure.

The Chair: Is that OK? And then we will talk with the other people, yes. So is that fine?

Chief Carpenter: Sure.

The Chair: Very good. We will begin with the NDP. We'll have about three to four minutes for each caucus.

Mr Bisson: I've got three questions, Chief Carpenter, and I think part of it has been answered, but I want to be clear. On the issue of arbitration, I'm prepared to take that out of the legislation, but do we need something to hold the government's feet to the fire? Or do you believe it should be open-ended, that if it takes three years, if it takes five years, so be it?

Chief Carpenter: I guess when it comes to arbitration, I have concerns with it because of the time frame, and three years is what you mentioned in your bill. As you know, First Nations have a lot of issues to discuss among themselves. I'll give you some examples: maybe territorial issues, overlapping territories. To me, that's going to take more than three years to resolve. So that's why I'm concerned about the arbitration clause, where the government will step in and they decide what's good for First Nations. I disagree with that. There are many

other examples I can use, but I think you get the understanding of what I'm saying.

Mr Bisson: I guess the tougher question is—and I haven't come to terms with this myself—if we remove the arbitration and the timeline, should we expand the scope of what we're trying to negotiate beyond revenue-sharing to some of the other issues, or should we leave it specifically to revenue-sharing?

Chief Carpenter: As I stated in my report, I recommended that maybe you hold off having the third reading. I don't know how long that would be. Because I didn't really agree with the process that you went forward with with this bill. I believe that First Nations should have the power to discuss these issues between themselves first, and then, if you're ready, we should come to you and move this bill forward. As part of our traditional culture, we intend to work with consensus, where all people agree to a certain issue or issues.

1700

Mr Zimmer: In his presentation, your counsel, Mr Barr, makes the point in his summary that you're not supportive of the arbitration process. Then he gives a number of reasons, one of which says, in the last bullet on the last page, "First Nations would be wiser to trust the Supreme Court of Canada than an arbitrator appointed in this process." I just want to hand it to Mr Barr or to you, as to why you feel you're better off in the Supreme Court of Canada than going through an arbitration process.

Chief Carpenter: Are you referring to his report?

Mr Zimmer: Yes.

Chief Carpenter: Maybe he should answer that question.

Mr Barr: The concern we have with the arbitration process: It is too broad, too wide-ranging. There's no discretion in there whatsoever. With the Supreme Court of Canada, we know what the rules are. We know what evidence the court will receive and, generally, what law will apply. So I guess you can say that we would rely on or trust the Supreme Court of Canada with its well-defined body of rules and evidence.

Mr Zimmer: But you could go through the arbitration process, and the Supreme Court of Canada would still have a final say on what the arbitrator said. So you could get both.

Mr Barr: If that's what the rules of the arbitration are.

Mr Zimmer: Arbitration subject to judicial review would be OK with you?

Mr Barr: I guess, with the overall supervisory jurisdiction of the Supreme Court of Canada, maybe. But it's just that this legislation doesn't say anything about that.

Mr Zimmer: Thank you. I just wanted to nail that point down.

Mr Barr: Sure.

The Chair: I took note that the lawyers didn't want to wait for the translator. We'll move to the official opposition.

Mr Miller: Chief, thank you for welcoming us into your community today. You said in your initial pres-

entation that Bill 97 might jeopardize potential impact benefit agreements and future impact benefit agreements. Can you expand on that idea?

Chief Carpenter: Since this bill is new, there seems to be confusion within the public in regard to revenue-sharing and impact benefit agreements. When Gilles Bisson came to the Mishkeegogamang assembly, I told him to make the people aware that IBA and revenue-sharing were two different issues.

As you know, IBA is an agreement between two parties. In our case, it's De Beers and Attawapiskat First Nation. It's because of the fact that we are the most impacted communities with this development [*inaudible*] of loosing use of that land and probably the possibility of contaminating our waters.

I use the words "negative impact" for one reason, because there is that possibility. Other First Nations may say they're also impacted, but I more or less look at their impacts as beneficial to them and they lead to economic development and things like that.

[*inaudible*] and revenue-sharing—my understanding is that when First Nations first raised this issue, they were asking for a share of the profits from developments in our traditional territories. How that's going to be shared, I'm not sure at this time. Anyway, what we're saying is something about the IBA and so on.

The Chair: Thank you very much.

1710

GABRIEL SPENCE

The Chair: I'll call on Gabriel Spence to come forward, please.

Mr Gabriel Spence (Interpretation): I just wanted to let the standing committee know that it's been seven years since I last worked, since I had a stroke.

There are two things that I want to talk about regarding this community. Since the standing committee is here, I wanted to bring this problem that we have within the community. It has been four years since they closed down the school, and we rely on portables. Since you're here, I guess you should get a chance to go and visit what I'm talking about, to see it first-hand. There are 400-plus students going to the school that I'm talking about.

The other thing I want to talk about is this development of De Beers. What I want to talk about before you, since you're here as the standing committee, is sharing the revenue, whatever they get from the lifetime of the mine and once they leave. I wanted to go to [*inaudible*] since they're somewhere in our territory. We had a mine and they had something like 375 million [*inaudible*] the First Nations and the Inuit people, 75 million to them once they pulled out of the territory.

That is all I wanted to say to you in regard to revenue-sharing.

The Chair: Thank you very much. We will take that as information unless the committee has a question.

Mr Colle: Could we get an update from research on the status of the school mentioned by Mr Spence?

The Chair: We will do that.

Mrs Carol Mitchell (Huron-Bruce): Further on the school, could you even just tell us, as we're heading back to the plane, what school it is? Then, when we have the update, we can have the location so that it's clear in our minds what school you're talking about—and the information. That would be very helpful.

Chief Carpenter: Perhaps I can answer that question. I don't see the education director here. I think he flew out today. I don't know if Steve was here.

Interjection.

Chief Carpenter: Steve was here. Anyway, the school he's talking about is J.R. Nakogee Elementary School. I'm flying out tomorrow with the LEA. That's the first step toward working toward a settlement for a new school and also for the cleanup of the contaminated areas. I can't give you the full details, but if you want to find out more, perhaps you can call the education authority here. The person to call would be Mike Gull. He's the director. His number is 705-997-2232.

Mr Colle: You know the number well.

Mr Bisson: Everybody knows everybody's number here.

Mrs Mitchell: Thank you for that information. Walking over here, I did notice the school. It's right behind the high school, right?

Chief Carpenter: Yes.

JOHN HOOKIMAW

The Chair: Two elders have asked to speak. I would ask elder John Hookimaw to come forward. Good afternoon.

Mr John Hookimaw (Interpretation): I was asked to speak, but I don't know what I want to say.

Mr Bisson: Neither do we.

Mr Hookimaw (Interpretation): Hello. This is the first time that I have appeared before the standing committee. I welcome the committee to Attawapiskat.

I have listened during the hearing, and I have heard the leaders and the people who represent us talk about revenue-sharing and the things that have been said throughout the process. I have listened to the different leaders who have talked. I agree, and I thank them, because it's a good way of going with the bill, in terms of what they talked about, that they should continue to talk to each other in that direction.

1720

Yes, we, the northern people, are unique in some ways but we are poor people compared to southern Ontario.

It's been many years since the trapping industry has died down. The time Greenpeace was initiated by the European people was the time we decided—because they told us that we were harming and hurting the animals that we depended on. After they did that, this is when they banned trapping techniques and there were not new techniques of catching your beaver, your wildlife, for fur. They have not provided us any other method or techniques and so we just never bothered doing it, because I

know we have to stop doing that. We, as native people, never felt that way, but other people who had seen us from overseas thought we were taking and hurting the animals we relied on for our survival.

We, as people of the land, live off the land to survive and never thought that way. Our forefathers and grandfathers taught us that was our way of living, off the land. As you travel up north, the more muskeg you'll see in the open country, open tundra. Along the coast you'll see that there's open tundra. There are hardly any more trees around. This is the land that our forefathers have relied on since time immemorial, and still do today.

It was the government that came to our country when they came with the treaty to see our forefathers. This is why the native people of our country—many people talk about treaties but they haven't seen what the government has promised to our forefathers.

It's true when you hear a story about a trapper who goes out year-round and gets what he needs in order to provide for his family, because our land in the bush behind us was our supermarket.

Although the commissioners came in the name of the Queen to come and sign treaties with our forefathers back in 1905, we never got to see those right away, in that time. Our forefathers really depended on the land and they struggled with the hardships that they went through in terms of trapping and hunting for their survival.

Our family says that when I talk about the—I want to talk about the 1965 agreement, like when I see the notice of assistance coming into play in our area. I began to see this welfare come into play in our community in the early 1970s. That's when everybody got into the welfare system. Somewhere in 1966, the Department of Indian Affairs started to develop some housing on the reserve. The houses that you see were built by the department. That's what you see today. It's been quite a while since we built houses on our reserve. I don't know what happened. Maybe the Department of Indian Affairs doesn't build houses on the reserves any more. Although a community may be unique in a sense, somehow there are some problems with it, like the hardships. You may picture that a house has a good structure, but we are very poor. Because of the population growth, some houses are overcrowded. Living conditions are not as suitable as they should be. I want to share this with you today.

I see on the map that developers and prospectors are doing their activity. I don't know how that goes, whether those companies come to see or talk to the chief when they want to do some activity in the traditional territory. The first company that came into contact with us was De Beers because they came to talk to us about their plans when they did the exploration.

I know there are other companies out there that are staking, companies that are building or prospecting on the river. I think that's enough for anyone. Any developer who comes from the outside world should come and meet the people who are original owners of the land to tell them what they want to do in terms that we can understand, what their plans are.

I have to mention next that we have a treaty with the government that they should look at. I feel that a developer that comes without meeting the First Nation violates in some way my rights. I think they should meet with the chief and council as the leaders of this community. That's all I wanted to share with you. Thank you.

The Chair: Thank you. Mr Bisson has indicated he has a question.

Mr Bisson: First of all, Mr Hookimaw, thank you for presenting to us. This is very important to us. I have a question that probably only you can answer because you were here at the beginning, at the forming of the community. Initially, did the government provide enough housing for all the families that came into the community? And has it gotten worse or is it the same?

1730

Mr Hookimaw (Interpretation): I can't really say that the government has provided housing the way it should have. I mentioned a little bit about the problems we have with overcrowding in the family house. This creates problems with the morale, as well as the health issues that come with it.

In my presentation to your standing committee I mentioned that the government signed a treaty with my forefathers. At least they had an obligation to do something which they have not fulfilled. Yet the promises are empty and we're still waiting.

That's all I have to say. Thank you.

The Chair: Thank you for your presentation.

JOHN MATTINAS

The Chair: I had a request from elder John Mattinas, who also wants to address the committee. Please come forward.

Mr John Mattinas (Interpretation): I would like to say hello to the standing committee members even though I feel uncomfortable coming up before you. I'm afraid of this. Every time something goes on, I've been asked to speak on behalf of the community. I talk a lot, and I sometimes get the feeling that people don't listen to me when I want and I never get to what I want to say.

One may wonder why I pushed the microphone away. I feel uncomfortable using it because, after all, once you're gone, you'll be laughing at me. That's what they've said.

We have people coming in here, different government representatives that come and go, and other people who come and work for us. The elders think I'm getting stressed and tired from hearing and talking, because often studies and research are done and often they don't come back to us with the outcome. They just collect dust, I guess, back there.

However, there's a lot that I want to say, that I could talk to you about from the teachings of my elders. My elders of the past never put a pen or anything to paper. They only talked to me the way they were. They did not have the opportunities, the technology that your people use to talk to us. When I was living off the land, my

elders showed me the things that I could survive on and things they wanted me to know. Once I started to follow the footsteps, I started to go on the land with the elders, and that's what I grew up on. Although my forefathers are gone, there is a lot they taught me that we, as native people, can do to use the land. To me, the way I see things, the modern way of doing business that I see since I came to the community—people come here and say that's what they want to do and they show the figures and numbers. To me, it's not good for me.

I'd like to say a little bit about the 1905 treaty that came with the commissioners. My forefathers, who signed the treaty when the commissioners came, have gone on their journey back to Mother Earth and never saw the things that were quoted within the treaty. They were witness when the commissioners came, when they said that the treaty was going to be like the grass that grows and the river that flows—the treaty was going to be like this; that's the kind of wording they used when they came to my forefathers.

Mr Chairman, I have to talk this way to tell you what I want to say. I'm not talking for myself. I'm not complaining about the past. I just want to leave something behind for the future generations to use, that will be here after I am gone.

The thing about the treaty, what was written in the treaty—they talk about education, they talk about housing and whatever they included at the time when the commissioners came to our forefathers. Today you see a community in houses, but that's not enough, because the houses we get are not of the standard that other people get, and all the things that come with it. You heard about the school, as mentioned earlier. We have a school we can't use, and we're still looking for a new school.

I happened to be in a meeting one time in Timmins, and they talked about getting a school going. I shared my ideas, because this was something that I wanted for the young people, to have a place where they can go to school and further their education. That's what's needed, and it was within the treaty when the commissioners came.

1740

I served as a councillor in this community for the past 20 years. During my time as a councillor, the things we talked about, about community affairs and trying to plan the community—there were times that I feel I was not as satisfied or that I made a failure of what we talked about.

As native people, we never had a chance to say, "This is what we want, this is what I want, this is where I want to be," because there's always someone making the decisions for us. They have to go back when the mission and the Oblates came to this country, to our territory, as well as the Hudson's Bay Co. They only did it the way they saw things so they could help to better themselves.

I'll get to my point. Bear with me. Be patient with me. The building where we're sitting right now is where the boundaries were set when the Department of Indian Affairs came along the riverbank. This was where they gave the portion of land for us to use.

I know the level. We have a higher level here, and there's less eight feet down, when you get down below. This is why I said there are a lot of things we never had a chance to be on our own as native people, because there was always someone doing something for us.

So many times I wonder as I look at this community, when I see the youth walking around the community, and I see the middle-class people walking around. We're faced with this problem every day, and yet they never say anything; they never talk about it.

I have to talk to you this way. I know it's maybe something you're not looking for in regard to your Bill 97 regarding revenue-sharing. However, I know what Mother Nature conferred rights for us native people and for those young people for their future.

Yes, I do know there's a lot that comes with the land. Developers come into our area knowing that there's richer resources, in terms of mineral and other resources, speaking about resource development, whereas my people only took what was on the land. Yet our forefathers told us that someday strangers would be coming to interfere with our way of life.

I have seen people, strangers, coming to my area, because I know they were looking for something, seeking their own studies. I've seen them studying all the rock, looking at the timber and others—you name it—that Mother Nature has to offer.

I have begun to see and understand things since I've been involved with De Beers, who one day came and consulted with the First Nation. I have heard De Beers talk about the importance of the environment and the protection of the land. Even though he wants to take the diamonds out, he says that he's planning carefully what will impact the land on us.

As I mentioned to you, I was taught by my forefathers. One thing that they have taught me is to keep the land and to care as a keeper of the land.

As a youngster, I used to take a bird out of a nest. Back then, I was a youngster. I used to take it home as a pet for myself. My late grandfathers told me, "Go and put it back where you got it. It belongs to Mother Nature."

To me, since I live in this community, I have seen some of the things that I talked about as being a keeper of the land, the way that my forefathers have taught me. As I began to live in the community and TV came to interview us on our way of life, I saw the sportsmen who go out and fish for sport and throw the fish back in the river. This is something that my forefathers would not let me do if I was living off the land.

I have talked to you differently because I want you, as the standing committee members, to listen and understand what I'm trying to get at.

1750

I know you have some questions in your minds that you may want to ask us, but with the short time that we are coming to the community hall, it's impossible to hear what we have to say in one short trip. I hope there will be another trip so that we can speak with you.

I have a question for one of the representatives here, Gilles Bisson. It's a question or something that I may laugh about; something that you can laugh about. I wanted to ask him if he can afford a razorblade. I keep seeing him like that every time he comes.

Mr Bisson: I am trying to emulate the mother beaver.

Mr John Mattinas (Interpretation): I've known Gilles Bisson for some time, and every time I run into him, we always joke with each other. So I wanted to share that with you.

The other thing, too, is that when I was growing up, my father had taught me to respect the wolf like we respect other people, no matter who they are, and talk to them, try to understand their way of understanding.

Therefore, that's all I have to say. If anybody has questions, he'd be willing to answer.

Mr Bisson: I have a burning question, in turn, as an avid fisherman. Michael and I have been throwing fish back in for a long time. Do they die or what?

Mr Prue: No, they don't die.

Mr Zimmer: Just on a point of order, so to speak. Mr Chairman, I've been here for the afternoon listening to the fine job the translator's been doing. For a number of years, I was the deputy chair of the Immigration Board of Canada. I sat through many hundreds, thousands of translations, languages all over the world, and I can say that the translation that you provided this afternoon was one of the best that I have heard in the many years that I was at the immigration board. So my congratulations to him.

Mr Bisson: Keep in mind, Mr Zimmer, I now have to negotiate the price.

The Chair: That concludes our hearings today in Attawapiskat.

Part of my closing remarks were that I want to thank you, Gerald, for a fine job. You sat there all afternoon and did a very good job. I also want to thank Father Vezina, who worked along with our clerk, Trevor Day, to help us in our visit here in Attawapiskat. I think all of the committee members have met Father Vezina, and we certainly appreciate all the help that he provided for us in our visit here with you today.

The chief has some remarks. Quiet, please.

Chief Carpenter: I just want to say thank you to the legislators for coming to visit our communities. I want to also say thank you to the people that attended the meeting, the presenters. I'm sure you learned a lot from the presentations that were made.

I want to talk about one thing from when the elders were talking. If the treaty was signed in 1905, how come it took 65 years for welfare assistance to reach our people? Also, in regard to housing, it took 61 years before they started building housing. I think the government owes us a number of houses.

Again, I just wanted to say thank you. I hope we have more meetings like this. I was listening to the elders yesterday when they were being interviewed about the Victor project. One thing they said was, "Life changed. Our people can no longer survive on the lands by trapping because of the market value." They said that

they had to accept these new ways of forestry and mining. But one thing they made clear was, they're not willing to give up a few jobs for contamination of our land. That was very clear. I just wanted to say that.

Again, thank you for coming. I hope we will see you again in the future.

The Chair: Thank you very much, Chief.

The committee adjourned at 1758.

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Mr Michael Prue (Beaches-East York / Beaches-York-Est ND)

Mr John Wilkinson (Perth-Middlesex L)

Substitutions / Membres remplaçants

Mr Norm Miller (Parry Sound-Muskoka PC)

Mr David Zimmer (Willowdale L)

Also taking part / Autres participants et participantes
Mr Gilles Bisson (Timmins-James Bay / Timmins-Baie James ND)

Clerk / Greffier

Mr Trevor Day

Staff / Personnel

Mr Larry Johnston, research officer,
Research and Information Services



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Official Report of Debates (Hansard)

Thursday 23 September 2004

Journal des débats (Hansard)

Jeudi 23 septembre 2004

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

**First Nations Resource Revenue
Sharing Act, 2004**

**Loi de 2004 sur le partage
avec les premières nations
des recettes tirées
de l'exploitation des ressources**

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Thursday 23 September 2004

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Jeudi 23 septembre 2004

The committee met at 1018 in Thomas Cheechoo Jr Memorial Hall, Moose Factory, Ontario.

FIRST NATIONS RESOURCE REVENUE
SHARING ACT, 2004LOI DE 2004 SUR LE PARTAGE
AVEC LES PREMIÈRES NATIONS
DES RECETTES TIRÉES

DE L'EXPLOITATION DES RESSOURCES

Consideration of Bill 97, An Act respecting the sharing of resource revenues for First Nations / Projet de loi 97, Loi concernant le partage avec les Premières nations des recettes tirées de l'exploitation des ressources.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will come to order. We'll work on the echo in the room.

On behalf of the committee, let me say how pleased we are to be in Moose Factory today. We've had an enjoyable tour across northern Ontario, and we're pleased to be here in regard to Bill 97.

MOOSE CREE FIRST NATION

I see our first presenter is ready, Moose Cree First Nation. Let me say good morning. You have 30 minutes for your presentation. You may allow time within that 30 minutes for questions, if you wish. I would ask you to state your name for the purposes of our recording. We do have Cree translation available if anybody requires it. Go ahead.

Chief Norm Hardisty Jr: Good morning. My name is Norm Hardisty Jr, and I'm the chief of the Moose Cree First Nation.

Mr Chairman and members of the standing committee, let me first welcome you and your committee to our homeland, the traditional territory of the Moose Cree First Nation, and to the community of Moose Factory.

It is certainly my pleasure that I finally have the opportunity to address this matter to members of the Ontario Legislature, each of whom I sense carries a positive commitment to carry out their responsibilities surrounding this very important issue.

This act is a long time coming—99 years after the signing of our treaty. I invite you just for a second to try to envision a picture of the Moose Cree if the

government of the day had included this act as part of our treaty.

I see a newly built hospital staffed with doctors. I see schools fully funded and properly equipped. I see youth and elder resource centres and community libraries. I see paved streets and sidewalks. I see prosperous private and commercial business feeding the local economy. I see a chief and council governing with full resources for a healthier community.

Yes, I know; my vision resembles Timmins, North Bay or Thunder Bay. The things in my vision are being taken for granted by the people in those municipalities. Yes, we all have 20/20 hindsight and very little foresight. Let's just hope that our foresight has improved greatly since 1905.

I view this process as a government-to-government approach in negotiating the substance to the proposed act. The very core of our negotiations will be focused on our homeland that has been referred to as our traditional lands.

Since time immemorial, my people, the people we now know as the people of Moose Factory, commonly known as the Moose Cree First Nation, have occupied these lands known as the Moose Cree traditional territory, as their home. The act describes traditional territory as a piece of land that my ancestors have since travelled across for many years and made use of by my people.

We need to ask ourselves, what is a home, remembering that our culture and lifestyle differ greatly in many ways. Those people who lived in a certain time, as a place where you permanently reside from which you derive a lifestyle necessary and suitable at the time, perhaps best describe traditional lands. In many ways, Moose Cree viewed its community merely as a place to trade and a place where not everyone can derive a livelihood, and it is still that today. All you have to do is look at our social programs to see our unemployment rate.

Our traditional lands have been traded, bartered and sold without our consent.

During the 1600s, England issued the Rupert's Land agreement to the Hudson's Bay Co, which gave this company the full use of a large tract of land, including water, for the purpose of operating its business. This was carried out without the consultation and, indeed, without consent of the people of Moose Cree.

Under this agreement, the Hudson's Bay Co assumed that it had full authority to claim land for the purpose of

erecting fortresses and posts to conduct their business. The people of Moose Cree never received compensation, nor did they have knowledge of the existing agreement between the British crown and the Hudson's Bay Co. They simply welcomed the traders and allowed them to share the land. This was primarily due to their belief, which in many ways still exists, that they were merely the stewards of the land and no one had the right to outrightly claim ownership of the land.

The Hudson's Bay Co introduced concentrated trading by building a central supply outlet for trappers and their families. Here the people traded for their annual needs to take home, much like how we travel to southern centres for our Christmas shopping. This was the first time that the people of Moose Cree came together as a community, but only as people leaving their homes temporarily to trade.

Again, in 1876, the Dominion of Canada in right of the crown of England brought forth an act known as the Indian Act. This act was put in place to guide the government of the day in dealing with its aboriginal people. Once again there are no records to indicate that the people of Moose Cree had prior knowledge of this act, let alone any consultation afforded to them.

In the ensuing years, provinces began to emerge and development began to flourish, while the aboriginal people remained silent. The government was aware of the need to ensure that its federal auspices did not further erode into the provincial Parliaments. To complement the provinces' need to bring forward some control measures toward development regarding land and resources, the federal government enacted various acts and regulations to distinguish between federal and provincial regimes. All the while, the federal government saw the need to address its problem where development might interfere with their homelands and lifestyles.

In 1905, the federal government signed the James Bay Treaty 9 with the people of Moose Cree. People did not realize how big a part the Ontario government played within the treaty process. The province in fact played a major role in the treaty process. They had the veto power to decide the location of each reserve. It is the opinion of our elders on the aftermath that Ontario already knew the potential areas of resource development; hence, we received all invaluable lands.

John Fletcher, who was an eyewitness to the signing of the treaty in Moose Factory, accused the federal government in 1978, while addressing the hearings on north of 50, of premeditated breach of trust of the federal government's fiduciary responsibility by not correcting the notion of the treaty commissioner's blatant behaviour of not disclosing to the people that Ontario was not merely acting as a witness to the process but as a leader on many of the conditions imposed on the Moose Cree. He also accused the Minister of Indian Affairs of not disclosing to the people that the treaty was in fact written to exist within the parameters of the Indian Act, deliberately designed not to supersede any federal-provincial bilateral agreements, including land and resource developments.

1030

We are embarking on a very difficult road. We should not kid ourselves that any proponent or the province can be pushed into a fair and comprehensive agreement. This is because Ontario and any other proponent do not fundamentally subscribe to the sharing spirit of Treaty 9 in relation to lands and resources, including water. Instead, they will rely on the following clause from the text of the treaty:

"And His Majesty the King hereby agrees with the said Indians that they shall have the right to pursue their usual vocations of hunting, trapping and fishing throughout the tract surrendered as heretofore described, subject to such regulations as may from time to time be made by the government of the country, acting under the authority of His Majesty, and saving and excepting such tracts as may be required or taken up from time to time for settlement, mining, lumbering, trading or other purposes." You know the clause.

Here we are today, and it looks like we've come full circle. Despite everything that happened yesterday, I am prepared to sit down with you in a co-operative setting to try to come to a negotiated agreement and hope that we do not need to go to an arbitration process.

I would like to acknowledge Mr Gilles Bisson for his hard work and dedicated representation of the people in this area, especially for his sensitivity to the aboriginal people's needs. He has recognized that the Moose Cree, as one of the many First Nations people dwelling in the region, desperately need to be recognized as players amongst governments and to be considered as equal citizens of this province.

I have many concerns regarding this proposed act but I would like to assure your party, Mr Chair, that I am in full support of this endeavour. But before we begin our negotiations, there are certain assurances that I would like to see agreed upon. The following are areas that I would like to see agreements on prior to any negotiations taking place:

(1) This act cannot be misconstrued as any derogation of any part of our existing Treaty 9.

(2) The proceeds as a result of this agreement cannot replace or compromise federal and provincial funding available currently or any funding opportunities afforded to the First Nation in respect of this proposed act.

(3) The foundation of our relationship with the province is with our treaty. Consequently no other parties, be it resource companies or other provincial municipalities, can be party to any negotiation or the agreement itself regarding this proposed act.

(4) This proposed act cannot regulate any First Nation from going into a separate impact benefit agreement with any resource developer as both parties see fit to negotiate in terms other than described within.

(5) Financial resources must accompany this initiative, along with the financial capacity, to facilitate technical and legal advice to the First Nation. This will ensure that both parties are on an even playing field.

(6) It must be recognized and affirmed by both parties that any agreement is not considered a treaty and it cannot be used in the interpretation of any other agreement.

(7) It must be understood that any agreement cannot relinquish the obligatory duty of the province that it must continue to address co-planning and co-management of land use and resource development with Moose Cree First Nation within its homeland.

(8) Moose Cree First Nation boundaries of its homeland must not be negotiated nor included in any arbitration process.

(9) Moose Cree First Nation must have the flexibility to execute protocol agreements with neighbouring First Nations on adjacent or overlapping boundaries.

(10) Finally, Moose Cree First Nation must define what is revenue sharing and the parameters of the dollar value in resource development.

1030

That is the end of my presentation. I would like to let the committee know that I have copies of my presentation which will be given to every one of you. I thank you for allowing me to make my presentation.

Again, welcome to Moose Factory. It is our hope that you will enjoy your stay here. It is also my hope that you will have a very interesting session today.

The Chair: We have about five minutes per caucus for questions and we'll begin with the official opposition.

Mr Norm Miller (Parry Sound-Muskoka): Thank you for your presentation, Chief Hardisty. I think we've all enjoyed our night here at Moose Factory. It certainly was a beautiful day yesterday, and today as well. I haven't had to use the long underwear I packed for the trip. In fact, I was sweating a little bit on the walk down the road to get here from the Eco-Lodge.

Certainly your vision of prosperity and success for your community is one that I also hope materializes at some time in the future. You've emphasized that you want negotiations on revenue-sharing to be government to government. My question is, where does the federal government fit into this, and is the federal government fulfilling its responsibilities toward First Nations?

Chief Hardisty: I think the federal government has a fiduciary responsibility. I really feel that they are a major player. I've always believed that a lot of the responsibilities have been handed down to the province. At times it's almost a tripartite agreement type of thing. They do have a major role. I've always believed that when we signed the treaty, they were as responsible as are Ontarians to the province. They have the same obligations to First Nations people. In my opinion they are never away from the table.

Mr Miller: Certainly in our travels around we've seen some housing that has been pretty awful, I would say, on First Nations. That's the question I've been asking myself: Where is the federal government in fulfilling their responsibilities for basic infrastructure on First Nations?

Chief Hardisty: Did you want me to respond to that?

Mr Miller: Sure.

Chief Hardisty: When we signed the treaty back in 1905, shelter was an issue, however you want to define "shelter," be it a tent using tent frames or a conventional home like today. I believe that was in the spirit of the treaty.

It has always been my belief that when the treaty was signed, it was an agreement to provide certain services that each citizen in Canada takes for granted today. I really feel that although we're underfunded in housing, health and certain other programs, as native people we will keep going. We will utilize the mainstream society's avenues in dealing with the financial aspects of any other program.

I'll give you an example in housing. We utilize the CMHC program. We utilize any provincial program that's there. We move in the same direction as the mainstream society, but we do this without prejudice to our treaty. Somewhere along the way this federal government should be accountable for what's within the treaty and what was agreed upon.

So this is the road we're taking. At all times that we govern ourselves in any aspect of our programs, it is without prejudice to our treaty, which we're still working on. I think that's the road we've always taken.

Self-sufficiency and self-governance: We've always done that. Like any other Ontarian or citizen across this country will tell you, we're underfunded. To tell you the truth, we've never had a full bucket to work with in any program.

Mr Miller: We've heard from many chiefs whose goal is self-sufficiency. That has come across through many presentations. Thank you for your presentation today.

The Chair: We'll move to the NDP. Mr Bisson.

Mr Gilles Bisson (Timmins-James Bay): I think Mr Prue had a question.

Mr Michael Prue (Beaches-East York): I just need to better understand the role in Moose Factory. I understand that you have a different governing structure than some of the other communities. Am I correct in that?

Chief Hardisty: We basically, sadly enough, have our own membership code. We all have our own ways of doing our elections. We have our own election code. Certainly, in years to come, we would like to see us being more financially independent than today. I see the day when we're going to go to the government and tell them, "Whatever you fund the municipalities, the cities and towns in Canada, whatever funding you're giving now, give us that money and let us spend according to what our people want. At the same time, of course, ensure that the transparency is there and that accountability is there."

I see that day coming, although it is quite a way off. I think the governments have to give us that leverage to begin working with them. Gone are the days where we're stuck in here. We've got to go out there now. We're in forestry. We're getting into hydroelectric development. That's going beyond. If those realities come true, especially with hydroelectric development—we're going to be depending on this government to give us the support

there too. We're willing in that area and I really feel that the government of Ontario, along with the federal government, can support us and work with us.

Mr Bisson: Just a couple of questions. Just so you know, Chief Hardisty, obviously there are going to be amendments to this bill around a number of the issues you talked out. It's the intent to make sure that we have a bill that is supported by the parties. There's no use having it otherwise.

My question is this. Insofar as timing, we've been hearing from a lot of the presenters that three years is too fast. Your sense of how we deal with that in the legislation: Should it be open-ended; as long as it takes to negotiate, so be it? If so, if you had to guess, how long do you think this process could be?

Chief Hardisty: In any approach, whether it be this act or any other type of agreement, especially when you're dealing with various First Nations, I don't think it's a one-size-fits-all approach. I really feel that we all are different in many ways. It may take us two or three years. It may take people less time; it may take them more time. It's a lot better to work as one nation, you know, nation to nation, rather than this government working with 10 different nations. I found that out.

If you honestly feel that this process is going to work, we have to work nation to nation, meaning the government of Ontario with the Moose Cree First Nation. We have to work together, and I really feel that, as we go along, we cannot be trying to catch up to somebody or dragging another entity or whatever the case may be. I really feel that this has to be nation to nation.

Mr Bisson: One of the issues that has been raised is that this bill excludes First Nations south of the French River, and there are some reasons why that was done, because it gets more complex the bigger you make this thing. Your thoughts on that?

Chief Hardisty: I really feel that, again, when we get into the issue you're talking about, it makes it more complicated. I think you're sending it into a narrower and narrower—it is a provincial agreement. I don't think that's what we want. I really feel that most Cree want to work directly with the province on our issues, and not necessarily with respect to Peawanuck or even the Six Nations. It has to be nation to nation.

1040

Mr Bisson: And that brings me to my last question. As far as the process, I think I hear you saying that there not be one table where representatives of First Nations, five or six people, go off somewhere and negotiate. You're saying you really want a community-based process that basically each community can tie in to.

Chief Hardisty: I believe it has to be community-based. When we work with the Ontario government, it has to be Moose Cree and the Ontario government working together. I really feel too, and maybe we're veering off in a different direction here, that certainly there's the issue of working with developers and companies too. That again is another issue. Those are two separate components.

The Chair: We'll now move to the government and Mr Colle.

Mr Mike Colle (Eglinton-Lawrence): Thank you very much, Chief. The first question I have is about the new far north emergency preparedness response centre that's being built here in Moose Factory. Who is taking the lead role in that, and where can I get some information on the centre?

Chief Hardisty: Actually, it is a community project, but it is a regionally based initiative in terms of the centre being an emergency services centre. It has been supported by the six other First Nations within the Mushkegowuk Tribal Council. This is just one of the initiatives we have taken as a community to ensure that we not only work within Moose Cree but we certainly work with the other First Nations. Before the end of the day, I probably can give you the information.

Mr Colle: If you could, please, because we have a committee reviewing emergency preparedness, and it seems like quite a unique centre there. I noticed the stainless steel studs that are being used, and the concrete floor. Anyway, I'd like to follow up on that with you.

The question I have is, we've heard from different communities, like Attawapiskat and Sioux Lookout, wherever we've gone, about the importance of the impact benefit agreements, that they be done by the First Nation, primarily, that's most affected by resource development. Do you think there is a potential for a corporate entity, like a mining company or a forestry company, to play one First Nations community off against another if these agreements are all made on a local basis? In other words, the mining company might say, "Well, perhaps we can get a better deal by dealing with another entity and putting our resources into developing another site rather than your site."

How do you mitigate against that on some kind of regional basis rather than put yourself in a position of being used by the mining company to get a better deal with another First Nations community? I wonder if you could explain that to me.

Chief Hardisty: If I can use maybe the De Beers project as an example, I know that today there is an IBA agreement between Attawapiskat and De Beers. As a First Nation, we've always had respect for their agreement. I really feel that it's between Attawapiskat and De Beers as to what kind of agreement they are going to sign. But in the same breath, I really feel it is necessary even just to share the basics of the IBA agreement so that we as a First Nation can learn from that process, along with the other communities. I really feel there should be some type of sharing agreement protocol, or whatever you want to call it, as we move away from the area. I really believe that each First Nation should be working together with those types of agreements.

I know in Moose Cree's case, the idea has always been that we shared a similar type of agreement. It was a much lesser agreement, where they want to call it an MOU, a memorandum of understanding. I really feel that whether it be an IBA agreement or an MOU, we need to

learn from each other. We need to learn how we can improve on the steps of the agreements, because in the end, whether you're going by royalties or revenue or some revenue-sharing type of agreement, we need to know where we can improve on it. I think as a tribal council we certainly need to work together too, and we are doing that, but certainly there's a lot of room for improvement.

Mr Colle: One final question. Is that protocol you mentioned in terms of the degree of impact and so forth—the direct impact on Attawapiskat and then the economic development impacts that sort of filter on down—something you see as necessary in this type of legislation, or is it something that should be worked out by the First Nations communities?

I'm just wondering where the best place to put these protocols would be.

Chief Hardisty: I've always felt that it would be as nation to nation. I really feel Attawapiskat is obligated to work with, as an example, the communities of Kashechewan and Peawanuck. I really feel that there should be understandings and agreements because, sooner or later, you're going to run into—in my presentation, I talked about the overlap of traditional homelands.

Rather than for this government or any tribal council or any external entity to come into the picture, I don't think there's really a need. It's between the two. If there is an overlapping issue, it should be dealt with by the two parties that are involved. Certainly, there's protocol in everything that we do.

I think you were referring to socio-economic impacts. Certainly, we all are part of that, whether we like it or not. It's there, and I think it needs to be addressed by each individual First Nation.

I mentioned in my presentation that Moose Cree First Nation will, in the end, define revenue-sharing. The government may say "5% here and there," but it's the government that will be saying that. We will have our own perspective of what we feel revenue-sharing is. It could be 50%; it could be 20%, 30%, 51%, depending on what type of agreements are in place.

There are various agreements. We will have agreements with development companies, directly with the province, at our First Nations, and other entities out there. So I think we don't want to get lost. When we talk about revenue-sharing, I think it impacts under a lot of areas.

The Chair: Thank you for your presentation this morning.

For the committee, the 10:30 deputant hasn't arrived yet, nor has the 11 o'clock, but he's expected to be here shortly.

Mr Toby Barrett (Haldimand-Norfolk-Brant): On a point of order, Mr Chair: I had asked you earlier this morning if there were any gaps. I just wanted to present to the committee a bit of a thumbnail sketch or a summary of some discussions that I've been having with respect to the southern perspective. These aren't

questions for any of the presenters here. It's based in part on a long phone call last night.

My riding is Haldimand-Norfolk-Brant, down on Lake Erie, about as far south as you go; next to the Chair's riding. Haldimand-Norfolk-Brant has two native communities, the Mississaugas of the Credit and Six Nations, the largest reserve in Canada. There are some concerns. Certainly, some interest has been generated and, as you know, these communities up to the present, to my knowledge, have not been involved in the consultation.

Just briefly in context, the Six Nations' traditional lands—and, again, when we talk about traditional lands, representatives of that community are certainly more knowledgeable than I—are New York state, Ohio, and certainly farther beyond than that. They fought on behalf of the crown in the 1700s in a number of wars and battles, and received land in southern Ontario.

Certainly in my area, the one perception is that, back in the 1700s, they were granted land on six miles either side of the Grand River from its mouth to its source, going down to Lake Erie. There are a number of agreements—the Haldimand Tract is one of them; the Simcoe Deed.

The Mississaugas of the Credit, as you may know, is a community, a mission, just outside of Hagersville and, essentially, arrived there in the 1840s. Traditional lands would include the greater Toronto area, the Credit River and much beyond that area. There was a fairly recent court case involving compensation.

1050

I'm speaking as an MPP. I'm not speaking specifically on behalf of Six Nations or the Credit or other native communities in the south. But I know that at the Six Nations elected council there has been some discussion; certainly one member I was chatting with last night is very supportive of these discussions, very interested in this initiative. I can speak on behalf of Six Nations. Six Nations is very supportive of native communities in the north.

Hagersville and Caledonia next to Six Nations are mining towns. The Canadian Gypsum Co—I think I mentioned this earlier; gypsum is mined right underneath Six Nations. I just mention that in the context of some discussions we've had on this tour with respect to mining.

Several points have been raised, as I mentioned, with respect to the consultation. The south has not been part of this. The question was asked of me, "Will there be further consultation?" That question has been raised in the last four days by a number of people who have testified as well before this committee.

The perception is that Bill 97 should be much more detailed, it should be fleshed out more. The questions with respect to this legislation:

Does it or will it take into account the diversity of native communities?

Will it take into account the diversity of resources throughout the province of Ontario, south and north—mining, as I mentioned, and certainly forestry, as we've

heard, and hydroelectric; resource tourism; and hunting and fishing? Those kinds of opportunities exist in the south as well as in the north. I think I've mentioned that I live in the south. I haven't hit a deer in five months now. There are a lot of deer in that part of this province.

Does this take into account a number of court decisions? One that was mentioned was *Haida versus Taku River*. I don't have the information on that particular court decision, but it was discussed in the context of, "Does this legislation have the capacity to deal with the obligations of the resource development industry?"

Another question: What agency or agencies or what ministry, for that matter, would spearhead or monitor this initiative?

Another comment that was raised was the issue of native governance, the importance of continuing with capacity-building with respect to governance.

Revenue-sharing: the perception that revenue-sharing is not seen as a free ride; it's not seen as just dollars or the transfer—

The Chair: Mr Barrett, are these opinions of yours or—

Mr Barrett: These are my opinions, as an MPP. As I mentioned—

The Chair: We would have an opportunity to discuss everything we've heard on this at some date.

Mr Barrett: Yes. I'm just presenting this as a point of information.

The Chair: You state that it's an opinion of yours as to what we have heard. We will be discussing that at some future date as a committee. So I would suggest that your opinion could be heard at that time and not necessarily today. There may be people on the committee who would like to rebut what you're saying. That's not our purpose today.

Mr Barrett: Yes. Well, if there's time for further discussion, by all means. I'm just summarizing a telephone conversation of an hour and a half last night from an elected councillor.

The Chair: I understand that. Some of what you're saying is what you heard in a phone call last night and some of what you are saying is an opinion of your own. So I have trouble understanding which is your opinion and which is the opinion of your phone call.

In fairness to the rest of the committee, which might want to discuss what we've heard in the last four days, there will be another time for that.

Mr Barrett: OK. That was a question that had come up last night. When is the other time? I'm not clear myself.

The Chair: We were charged by the Legislature to have hearings on Bill 97. By agreement of the House leaders, we were charged to have summer hearings. We can only do that with the agreement of House leaders of all three parties, which your party agreed to. Beyond what we do here in these four days has yet to be determined. That includes whether we travel again or whether we have completed our duty. Our charge now is to visit four locations in the north and listen to the people that are deputants. That is our job for the moment.

Mr Bisson: Just two things: First of all, this is a work in progress. This is not the end of the road today. Obviously, there's going to have to be a fair amount of work as we continue on this. We've already had some chats about how we do that on a nonpartisan basis so that we don't get party politics mixed up in this whole thing. I think we all recognize that this is a pretty important endeavour, a very complicated endeavour. It's filled with all kinds of questions that I haven't even thought of yet; you know, what does it mean for all kinds of people?

So to Mr Barrett: I'm very conscious of the stuff that you raise. We need to figure out how to deal with that stuff, and this is just a first attempt to start getting our heads around it. From there, I've got some discussions that I've already had with the government House leader and your deputy House leader around what we do this fall with charging the committee some time to sit down and discuss what we've heard up to now so we can decide where we want to go from there. So there will be further opportunities.

The second thing, Mr Chair, on another matter entirely, is that there seems to be a little bit of confusion this morning with the schedule, because I know two of the deputants—I ran across this this morning—thought they were presenting this afternoon, and I see that they're listed this morning. I'm wondering if anybody has taken the time to call Mushkegowuk Tribal Council or others. I'm not quite sure how that happened. I'm not accusing anybody of anything.

The Chair: The presenters were advised of the times previously, and this list is unchanged.

Mr David Zimmer (Willowdale): On a point of order, Mr Chair: Just for your information, I bumped into one of the chiefs this morning, who also presented yesterday. He just advised me that he was of the view that the hearings were going to be from 1 pm to 7 pm tonight. I just pass that on for your information.

The Chair: Advice was given by the Clerk to all presenters as to what the times would be, the length of time for a discussion. As you noted, our first presenter was here and understood that.

Our 10:30 and 11 o'clock persons have not arrived. We're advised that the 11 o'clock presentation—those persons are en route, so we'll recess until they arrive. I would ask committee members to stay in the building.

The committee recessed from 1057 to 1120.

MOCREEBEC COUNCIL OF THE CREE NATION

The Chair: The standing committee on finance and economic affairs will come to order. It is my understanding that the Moccreebec Indian government is present. Would you come forward, please. Good morning.

Chief Randy Kapashesit: Good morning, Mr Chair.

The Chair: It's my understanding there have been some regrettable errors, perhaps, in the timing of your

presentation today, so on behalf of the committee, I do apologize.

You have 30 minutes for your presentation. You might want to leave some time for questions within that 30 minutes. I would ask you to identify yourself for the purposes of our recording.

Chief Kapashesit: Good morning to everyone here, including members of the public and chiefs in attendance. My name is Randy Kapashesit. I am the chief for the Moccreebec Council of the Cree Nation. That is the official name. I am here in that capacity. We are a community of folks who live within the physical communities of Moosonee-Moose Factory. We're without a land base and are not recognized under the Indian Act as a band, *per se*, but for all intents and purposes function as a First Nation nonetheless.

I should begin by acknowledging that this particular bill has been brought forth by Mr Gilles Bisson, our MPP. I want to publicly acknowledge his efforts to address this matter. It's not the first time that this particular issue has been brought forward; it is perhaps brought forward in this particular format for the first time. I want to acknowledge his effort to address the inequities that are, I'm sure, quite obvious to everybody once they see the realities of the communities, especially farther north of us. So I thank Gilles for that.

In the way of introductory remarks or comments, I was initially planning on giving you a written submission—I still may do that—but for the moment I will rely on my ability to share with you the views that I have been formulating on this topic since I was aware that this was something that would be coming up.

One of the things I think we need to be very clear on from the beginning with regard to a bill like this and the discussion that ensues is that, on the one hand, I don't believe for a second that this was intended, but I do think it's a point that needs to be clarified and made more clear: Some people might think that municipalities, as governments, for example, are similar to First Nation governments. I don't believe that is in fact the case. I do believe that First Nation governments have a long-standing interest in terms of the land and ultimately the resources that would flow from those lands throughout Canada, and that when we're looking at a revenue-sharing discussion or bill in Ontario, we have to remind ourselves that, nonetheless, if we are hoping to find a solution, we are still looking at the bigger picture of Canada as well. So I think we have to acknowledge that.

For example, there are Supreme Court decisions that affect this kind of discussion, that have an impact on this kind of discussion, and we need to be mindful of that and bring that kind of knowledge forward as part of this dialogue if we're going to get anywhere and arrive at a point where we feel that there is some equity achieved for First Nation interests. If we don't include those perspectives, I think we're going to potentially sell ourselves short.

I believe that Ontario can be a leader in that capacity for the rest of Canada. I believe that Ontario has the

ability to articulate a relationship with First Nations that distinguishes itself relative to the rest of the provincial governments in Canada. It is my hope that this can in fact be achieved, and with the willingness of people such as yourselves and ultimately the government of the day, I do believe we can push this item further along.

Having said that, I would say that if there is going to be something called a revenue-sharing act or a revenue-sharing agreement, whatever the final wording may be, this is something we should be pursuing and finding ways and means to make a reality for a lot of the folks you've seen on this trip, I'm sure, in the native communities throughout northwestern Ontario. You would have to agree they need some particular measures to allow themselves to look after their needs, whatever they may be.

For the most part, those needs have been ignored or neglected by virtue of the way the table has been set up until now. If we're going to achieve a new reality, I think we have to factor in not just the interests from the private sector but clearly the interests that are there from a First Nation government perspective and treat those equally, as we would a provincial or federal interest in those lands. I say that very clearly because I do believe there is support for that with the various decisions that are made, as I said earlier, through Supreme Court decisions.

If First Nations' interests are going to be acknowledged and recognized, this hopefully will translate into our collective ability to see a transformation in the quality of lives currently being lived. All the support that could be available through government programs, federally and provincially, would be welcomed. But I think that if folks looked at this situation with a different perspective and a paradigm shift in the way they saw the problems, maybe we would see a different reality in our communities, because I do believe that each and every one of our communities has the capability of actually changing its reality. The question has always been, how do you achieve that and what resources can you count on to do that?

Up until now, it's been basically programs and services that may be made available through either federal or provincial government initiatives. As I say, all those are appreciated, but at the end of the day, if we're going to be treating First Nations as a government, I believe it requires a greater acceptance of the principle that a First Nations government has greater authority over the lands and resources that are found within its territories collectively.

If we're going to go down this road—and I think we all should go down this road, because this is 2004 and there are still realities that remind us of how much further we have to go to change the quality of life for First Nations people. It may be changing slowly, but in some instances it's not changing fast enough for a good portion of the people who are affected by this. If we want to empower and make a difference in our time here, I think we have to recognize that First Nations have to have greater authority and involvement in terms of the matters that come forward.

So when it comes to a discussion of revenue-sharing, I do believe the discussion and dialogue should be inclusive of anything and everything that actually does come up when we have that kind of focus. The rules of the game may be set in a certain way right now, but we have to also recognize that those rules need to be reconsidered if we're going to move in a direction of revenue-sharing.

1130

Just focusing on revenue-sharing in perhaps its basic or more limiting context excludes so much from the discussion, and I think that's an unfair outcome, if that's what we do. I think the whole idea of revenue-sharing, when you look at that concept, implies simply looking at financial resources specifically related to whether it's a mining, hydroelectric or forestry development—those kinds of resource-extraction possibilities that exist. I think that revenue sharing means much more than that. If we're going to achieve a consensus on this from a First Nations perspective, it would have to include much more than that, if we're going to feel some degree of satisfaction over something called a revenue-sharing act.

I know that in the world of business—in the world of the private sector—and in the world of government, certainty is critically important for any particular project to move forward or to feel it can move forward. First Nations are no different. They would like certainty as well. Collectively, I think that in our own way we have been trying to address that matter, whether it's an initiative in one part of the country or in another part of the country. But insofar as Ontario as looking at this question, I think certainly, from a First Nation perspective with regard to this particular dialogue or discussion, should allow us to explore all the options as they exist.

Some folks believe, for example, that the way a First Nation participates or benefits from a revenue-sharing arrangement is pretty much the result of an impact benefit agreement that may be signed with a developing company of whatever the resource may be, and it's usually left in that context. Now, in some instances, some people may feel that's satisfactory. But I do think that in the course of looking at this, there are other arrangements that may be brought forward and that the interest of the First Nation, as a government, puts a particularly different twist on this. If First Nations are treated as just another party in the process of a development, I think we're missing the point. Ultimately a First Nation government needs much more respect and involvement from the beginning, as much as possible, with regard to any initiative that might be out there.

Like yourselves, we have people who are affected by any development that may go on. But, perhaps more importantly, we're looking at it from the point of view of society actually hoping we catch up to the rest of them, in terms of development and in terms of the quality of life within our communities and around our communities. In our urgency to maybe level that playing field or deal with that inequity, I do believe you have the opportunity to

actually factor in the quality of life we have and how you can improve upon that in ways that perhaps you haven't even imagined. Preventive measures, for example, can be incorporated into development projects as they come forward, as opposed to limiting it simply to an economic equation. I think there are socio-economic, health and cultural impacts that are critically important when it comes to revenue-sharing and the discussion of revenue-sharing.

For the most part, if you look at development as it occurs in the world in relation to indigenous people, there are standard formulas out there for how folks are going to either benefit or not benefit from those agreements. The proponents of these projects understand those formulas quite well. They will tell you, as they've told many people in the world, that a 2% to 3% overall cost to pay out to a First Nation is really not that much. So they're quite willing to pay that out. But in reality, what is considered an acceptable level of funding for a First Nation to receive in terms of development, and in particular compensation monies, is rather insignificant when you consider the overall cost of a project. These are documented facts that I'm referring to, coming from international sources that look at these questions in relation to indigenous people.

If we're going to be having a discussion and dialogue on those points in a revenue-sharing agreement, I think we have to recognize that there are a lot of other indicators and sources we should be incorporating if we're going to get anywhere with any meaningful notion of equity for First Nations.

The other thing I need to say is that just recently at the international level—for years and years, the indigenous working group has been making the point, and hoping that nation-states would agree with them, that the right to self-determination is one that is held even within Canada. For the first time, this week—you may or may not be aware of this—the Canadian delegation has actually gone on record as supporting that. If, in fact, as a state, Canada is saying this internationally, how do you reflect that within your jurisdiction in Ontario?

These are points that I think need to be incorporated into any discussion we're going to have here if we're going to satisfy a First Nation interest with regard to revenue-sharing.

I'm sure there are many grey areas in our minds as we think about this, so I don't think anybody is going to say that we have all the answers as we sit here today. But ultimately, if we are serious about this, we need to be open to those sources and references that actually impact our discussion. I know that within Canada we have many examples of those, and internationally, with this statement this week, Canada is basically being a leader relative to other nation-states in the world. So I am mindful of that as I sit here, and I think it's something that is long overdue. Of course, the results of that are unknown, but if Canada is willing to say that for the first time, then I think we're making some headway. So, internationally, the principle of self-determination does in fact include

and allow for First Nations to participate in the development of their traditional territories, or otherwise, as needed for the purposes of becoming self-sufficient in terms of their own development.

In terms of closing remarks, I want to say that I believe this is a beginning of a dialogue. I don't consider this to be the end result. I am in favour of a continuation of this particular discussion simply because I think it challenges all of us to do better in our time here. If we go forth, either within your government and—why you were inspired and motivated to run for public office—if we would agree that we want to leave the place in a better position than we found it, this is a challenge to all of us to actually do that, and for First Nations folks as well.

Believe me, many of us who've been doing this all these years and who continue to be involved, in whatever capacity, recognize the need to change the reality, and we continue to try to do that as much as possible. But we need folks who are sitting in government like yourselves to take the matters seriously as they come forward and to be as open to the discussion as possible if we're going to see a change in our lifetime. If we don't have that kind of commitment, I and anybody else who would come forward to you might as well be talking to the wall.

I'll stop there, saying simply that I believe this is a beginning of a dialogue. I think we have a lot to talk about. There are other things that I think we should be incorporating into our discussion and review. If I can answer any questions, I'll try to do that.

The Chair: Thank you for your presentation. We have about five minutes for each caucus. We'll begin this rotation with the NDP.

1140

Mr Prue: I want to thank you. It was quite an inspiring talk you just gave. Yes, we all have an obligation to leave this place better than we found it.

This is a beginning-of-a-dialogue issue, as you so correctly put it. The bill sees a time frame, or a potential time frame, of three years. Do you think that the dialogue—is that too long a period? Is that too short a period? We've heard from some people that they don't want to be constrained, and from some communities that it may not be possible to pull all this together in three years, that we should leave it open-ended.

Then we have others who sense some urgency, that we need to start acting. As you said, this is 2004. We need to start getting our act together pretty fast. Where do you come on this at the beginning of the dialogue? Is this a long term or is this a short term to get this started?

Chief Kapashesit: If we're going to be serious about this, I think three years is sufficient. I do think that there are excellent resources that can guide this discussion and bring it to a logical conclusion if we consult the right sources for that and include those in our discussion. So I think three years, on the one hand, is sufficient. I know the time of government is critically important as well, and I think we have to take full advantage of that and work with that, whether we like it or not.

Mr Prue: Thank you.

Mr Bisson: I didn't catch something. You talked about it yesterday and then you mentioned it again today. I just want to be clear that I understand what you were saying in regard to the statement that Canada has made internationally. Can you explain that one?

Chief Kapashesit: There is an ongoing discussion internationally with regard to the right of self-determination for indigenous people. Over the years, the working group on indigenous people has been hoping to see a movement on this point from nation-states to be more open to the idea of what it might mean to be a self-determining people, and nation-states have more or less stayed away from that point. A breakthrough, as was reflected in the papers this week, was when Canada actually spoke in favour of that. Being the first nation-state to do so I think signals, at least federally, a recognition that there is validity and merit to the whole point of self-determination for indigenous peoples.

So I do believe there is a connection to this discussion. If, as a nation-state, Canada is willing to go that far, what does it mean in this context? If you look at the principles of self-determination as being espoused internationally and if Canada is supportive of that, then obviously it means a different dialogue and discussion internally or domestically.

Mr Bisson: The other issue is that of broadening or tightening the scope of the discussion that we're trying to capture with this bill. You indicate in your presentation that you think maybe we need to go beyond revenue-sharing. I'm just wondering how far you think we need to go. Are you including all issues of land management, permitting training?

Mr Kapashesit: I think the principle that is important here is that what the Supreme Court has decided upon, for example, in *Delgamuukw* in British Columbia, which is a significant decision in terms of indigenous people and the country of Canada—in that particular outcome, it's very clear to say that, if First Nation people have not been dealt with honourably, their pre-existing rights are recognized.

So the question in Ontario is, have Indian people been dealt with honourably in relation to either Canada or the province of Ontario? If we're going to have this discussion, I think we've got to be mindful of what that means or how it impacts our dialogue here. That's what I'd think.

The Chair: Thank you. We'll move to the government.

Mrs Carol Mitchell (Huron-Bruce): Thank you very much for your presentation. If there is a movement toward self-determination—this has two-parts. You started your presentation with the concern about equating it to municipalities and therefore municipal funding. Do you see that it would be natural, if you moved toward self-governance or self-determination, that a municipal funding formula would be applicable under those circumstances?

Chief Kapashesit: Well, not being familiar, first of all, with the municipal formula, I would say at this point

that I do believe those are two separate starting points, the First Nation government and the municipal government, for the simple reason that we are, as indicated through the press documents that I reviewed this week anyway, at a significant breakthrough in terms of the long-standing discussion and argument that First Nation folks have been saying for a long time, which is that we believe in the right to self-determination, and that ultimately Canada is coming through to say that they recognize that. So I do believe there is a distinction to be made between a historical indigenous presence as opposed to a municipality created under legislation, for example.

Mrs Mitchell: Yes, and I guess in my mind I liken self-determination and really was equating it to—what would you say?—recognizing the area or—my concern is with the municipal funding. You didn't expand on what your concerns were, but if that funding formula is applied, there are services that are applied for that formula, if you then tried to equate that backwards for revenue-sharing.

Just a quick question. The revenue-sharing part of the impact benefits: That could be part of the discussions with the actual developers. I'm just going to use developers as a starting point. That could be part of it, and is a part of it. If I use De Beers as an example, is revenue-sharing on the table as a point of discussion?

Chief Kapashesit: I'll give you a real out-on-a-limb hypothetical here. If in fact I was in charge of De Beers and I went forward to Attawapiskat and cut my own deal with them and I was very clear that I was offering not only revenue-sharing but royalties and other interests in the company, that would be my business, if I chose to do that. Yes, it's possible to do that, but is that happening? That's the question, in my mind. In reality, if in fact all that developers are going to do is what government tells them they have to do, then we've got to be pretty clear as to what they're supposed to do.

Mrs Mitchell: Thank you. That addresses my question.

Ms Judy Marsales (Hamilton West): I'm going to be very brief. I want to compliment you on probably one of the most articulate presentations on this particular issue that we've heard, understanding the complexity and the history behind some of these issues. My question is, is there agreement among aboriginal organizations about a structure or a mechanism to ensure maximum benefit for aboriginal people through all of this?

Chief Kapashesit: I'm sure that we're quite willing to achieve that, simply because it's in our collective interest to do so, but to say that it's there right now, I wouldn't conclude that. At the same time, I think we have to remind ourselves that this opportunity is rather significant in the history of the province of Ontario, to get into this kind of discussion and debate. So it's all relatively new, on the one hand, for everybody, including your colleagues as well as mine.

Having said that, however, I do believe that this is something that each and every one of us, throughout the native community at least, has had some discussion or

debate about, as to how we would like to achieve this. So I do believe we can pull ourselves together on this if there is a willingness on the side of the government to do that.

The Chair: We'll move to the official opposition.

Mr Miller: Thank you, Chief, for your excellent and thoughtful presentation.

You started out by saying that the Mocreebec nation doesn't have a land base and it's not recognized by the Indian Act. We stayed at the Eco-Lodge last night. I understand that the band owns that and also owns the cable company and, from what I see from a distance is one of the most successful First Nations—in the travels we have done, anyway. For many of the First Nation chiefs who have come before the committee, their goal has really been self-sufficiency and to try to improve things for their communities. You've obviously been very successful. How can other bands learn from your success, and what do you attribute your success to?

1150

Chief Kapashesit: One of the things that is, first of all, important to recognize is that many First Nations have a lot more obstacles than they would like even themselves to have to confront, whether it's with the Indian Act or other such pieces of legislation or initiatives that impact their ability to make decisions or to move in a direction that they would be much more comfortable with. So I don't think there's any great secret about that. That's been a big problem for a lot of folks.

As far as we are concerned with our particular initiatives, it's a matter of necessity to actually succeed and try to implement and achieve the end result of any project, simply because we don't get any core funding. So our ability to fend for ourselves really depends on our commitment to carry it through.

Mr Miller: Are you saying that core funding to other bands is actually hurting them?

Chief Kapashesit: No, I wouldn't say that. I would just say that in our case we have to be very careful with the resources we do have. In the years that we've been around—since 1980, basically—there have been some really dry periods and some not-so-dry periods. But it really has been dependent on the commitment that people have made to make it work as opposed to having resources available. There are times, I can tell you, when we have survived and kept the doors open despite not having the resources to do so.

Mr Miller: That is very interesting.

You've spoken about impact benefit agreements. Do you think they should be made mandatory? As well, should a definite protocol be set out for the implementation of impact benefit agreements between developing resource companies and First Nations?

Chief Kapashesit: So much of it depends on the attitude of a developer, and so much of it depends on the climate of the day, in terms of answering that. I threw out the hypothetical, but I do believe that any decent human being who went to a part of the world where people were

not necessarily having the quality of life that we would all think was possible can actually respond to that. It's really their time to show what they're made of in that moment. There have been people who helped us out, whether it was with a bridge financing loan for housing because we needed houses when we were in tents once upon a time. The government didn't do that; individuals did that. So it really does depend on who's coming forward to our various territories and what their interest and motivation is. In good conscience, I don't see how people could avoid coming up with a good deal for any community if in fact they saw the poverty that was there. If you have to legislate that, so be it, but I do believe that we've had more examples of people ignoring that reality as opposed to responding to it.

The Chair: Thank you for your presentation.

NISHNAWBE ASKI NATION

The Chair: I call on the Nishnawbe Aski Nation, please.

Good morning. You have 30 minutes for your presentation. You might want to leave some time, if you wish, for questions within that 30 minutes. I would just ask you to once again identify yourself for our recording. You may begin.

Deputy Grand Chief Dan Koosees: Dan Koosees, Deputy Grand Chief, Nishnawbe Aski. You mentioned about half an hour. I think this is the second hour of NAN's presentation to this group in the last two days.

Mr Chairman, I don't have any formal presentation this morning but, as you know, in Mishkeegogamang and Sioux Lookout as well as Attawapiskat yesterday, NAN made a number of presentations. It wouldn't be just by reading the material over again to you, but I think what's important, from my own information, I suppose, is that I've listened to a number of presentations yesterday at Attawapiskat and again here this morning, and what I think is important is that we can't emphasize enough getting the message across in terms of how we need to approach revenue resource-sharing. I think the important fact is that the First Nations of Ontario under Treaty 9 territory have an existing relationship under that treaty. I think we've mentioned that a number of times, and a number of presentations have mentioned that as well.

Yesterday I listened to a lot of comments made by the committee. We oppose the idea of having an arbitrator being appointed to work on revenue-sharing with First Nations. Basically, we have an existing treaty that simplifies an agreement to live in harmony together and share the resources or share mutual interests in whatever business we have together in this country.

One of the things I want to touch on this morning, which I think Chief Norman Hardisty touched on a little, is that the whole process of revenue-sharing has to be a dialogue presented at the community level. There has to be an internal process in terms of how we need to talk about governance, how we need to share the idea of equitable resource-sharing with Ontario. I think one of

the important things that we need to pass on as a message to our people is to make sure they understand the process and make sure they understand what needs to be done in terms of a collective process with other communities, with tribal councils as well as with the Nishnawbe Aski Nation.

The whole idea of taking the approach and also the perspective under the treaty is that there were certain promises made to our people in 1905, with the understanding that the government had a commitment to have that trust responsibility and also have a share of mutual interest in terms of how we need to do business. I think that has been talked about a lot by our presenters.

I want to talk a little bit about the community initiative, the First Nations grassroots process Chief Hardisty was talking about. I think for us to legitimize proper revenue resource-sharing, we need to identify and quantify resource extractions in our territory. That has to be emphasized and clearly understood by our people. For us to provide information statistically, we need resources. We need to provide information to our people and to the government as well. The First Nations' economy has to be put on paper. How we can legitimize proper information as well as process has to be taken care of by our own people.

I also mentioned yesterday that you cannot look at First Nations as special groups. We are a nation. We were a sovereign people when you signed a treaty with our people back in 1905. Like I said yesterday, a treaty does not make nations; nations make treaties with other nations. That has to be understood clearly.

1200

I was talking to Gilles Bisson, my good friend, here this morning. We talked about the time frame in terms of getting on to third reading of the legislation. I believe that legislation to recognize First Nation governance in NAN territory has to recognize the proper process that needs to be done by our First Nations on revenue resource-sharing. I do believe it has to go beyond just revenue resource-sharing. We need to manage. We need to provide information. We need to provide a process on how we can get to the point of dealing with shared jurisdiction of our lands and resources. I emphasized that very clearly yesterday. That is the process we need to take.

I think it's important that all parties understand exactly, when we say revenue resource-sharing, that in our language it's different. It connects spiritually, it connects us emotionally and physically when we talk about how we need to do business together. As you know, land, to our people, is spiritually connected. It goes back thousands and thousands of years. Our people practise medicine on land and resources. Water is very important to our people. In fact, in our spiritual teachings, water is the life of our people.

Those are the things we need time to dialogue about with our own people. We need time to dialogue with our young people about our treaty. We need time to talk about these things with the women representatives—we do have a voice for our women in our communities. I

think it's important to have that time, to give us that time to do our own strategies, to develop our own work plans, and then we can have something in place that we can share information on. But I do again repeat that it has to be a government-to-government process, nothing less. Meegwetich.

The Chair: Thank you. We have about six minutes per caucus, and we begin this round with the government.

Mr Colle: Thank you, Deputy Grand Chief. I said yesterday in Attawapiskat that I would ask you some questions today; we gave an opportunity to those very eloquent elders to give us their thoughts yesterday.

The recurring theme of Treaty 9 is most thought-provoking for some of us on this committee. Is the role the government of Ontario played in that treaty unique, that you know of, in terms of a provincial government playing that significant a role in the signing of a treaty across Canada? It seems quite unusual for a provincial government to play such a proactive role in a treaty of that magnitude.

Deputy Grand Chief Koosees: I never knew why Ontario had to be different, but they were involved in that treaty. It's the only province that has been involved. The other treaties are pre-Confederation treaties, but the province was very much involved in the treaty in 1905.

Mr Colle: It seems to me, in my casual reading, that it was quite unprecedented that a provincial government played such an important part.

I guess the question that is really coming forward in my mind is the constitutionality; in other words, if we as a committee of the provincial Legislature all of a sudden undertake a direct role, government to government, with the First Nations in coming up with a new piece of legislation, will that stand up to a constitutional challenge given the historical precedents in regard to treaties and relationships between First Nations and the crown federally? I'm beginning to think we almost need some kind of legal brief to this committee to clarify this whole issue of provincial powers, as obverse to federal powers, so that we don't all of a sudden get into putting forth legislation that is struck down as being ultra vires and unconstitutional because of the relationships with the federal crown and First Nations people.

Deputy Grand Chief Koosees: I understand where you're coming from, sir. When I say we need a government-to-government relationship, there's a lot of work that needs to be done in terms of how we need to approach revenue- and resource-sharing or any other agreements with the province of Ontario. I think at some point in time how we need to approach that will identify what needs to be a tripartite process and what needs to be a bilateral process. But at some point I think what all parties need to understand is that we are a government. We are a government; we are not a special group. So that's the approach that needs to be taken in terms of a government-to-government relationship. I understand the powers the province has under the Constitution. I also understand the rights we have under section 35, where they recognize our inherent right to self-government. That has to be clear. Also, the approach I think we need

to take is that the more dialogue we have as governments, the more you're beginning to understand that the realities we talk about are very legitimate, as government representatives.

Mr Colle: Yes. Again, going back to Treaty 9 and the unprecedented role the provincial government played in this makes this even more unique from a legal perspective, because with other treaties, where there wasn't provincial involvement, you could proceed in a certain way. But maybe Ontario in this case has more fiduciary responsibility than normal because we were, in essence, signatories and participants in this treaty in an unprecedented way.

Deputy Grand Chief Koosees: I think a number of presentations made it clear yesterday as well when they started talking about Rupert's Land. I think all we need is a dialogue. We need to clearly understand each other, where we're coming from, what is it that needs to be presented in terms of co-management, if you will.

Mr Colle: In conclusion, the very fact that you have a standing committee of the Legislature that has come to Attawapiskat and Moose Factory is I think a good beginning of that dialogue and government-to-government discussions, although informal through deputations. I think this exercise has been very positive in that regard as far as we as first-time participants are involved. Thank you very much.

The Chair: We'll move to the official opposition.

Mr Barrett: Thank you, Deputy Grand Chief. You made mention of co-management. We've heard the phrase "co-jurisdiction" with respect to resource development adjacent to communities: as I see it, something beyond just merely the transfer of dollars to a council. How do you envision co-management? What areas would you see as part of management? I know environment and conservation issues have been raised.

Deputy Grand Chief Koosees: One of the things I always talk about is that as a government of First Nations we need to legitimize the traditional laws of our people. It has a lot to do with the traditional knowledge of our elders and the teachings that they have. I think the more dialogue we have in terms of how we need to work together—our traditional laws and customs have to be recognized for us to coexist in terms of lands and resources. I see that happening through dialogue like this.

Mr Barrett: When we're talking about co-management, are we also referring to more involvement, in addition to government to government; government with, say, a company as a manager, as a board of governors? In my view, if they weren't listening to area people, they would be less successful, given the knowledge of the land, the weather, things like that. Do you see co-jurisdiction or co-management directly involving, for example, a mining company?

Just to summarize, does co-management also refer to, beyond government-to-government, government with a particular company?

1210

Deputy Grand Chief Koosees: I think in our conversation yesterday we tried to differentiate between what is

IBA and what is resource- and revenue-sharing. I think industry has stated clearly that they're not prepared to be part of any revenue-sharing but that they're prepared to work with the communities in terms of IBAs. I don't know if I answered clearly what you're asking. What I understood yesterday was that the IBA cannot be considered as revenue-sharing.

So in terms of management or co-management, whatever you want to call it, I think that process is long. It's something that we need to have a dialogue on. It's something that eventually will come up. Under the jurisdiction that I talk about, it's something, like I said yesterday, that has to be an ultimate goal, how we need to get there.

The Chair: Thank you. We'll move to the NDP.

Mr Bisson: Dan, I thought your presentation this morning was most eloquent. I'm finding that the longer we sit here, the better it gets. We need to continue this discussion.

Mr Colle: Let's extend the committee's stay up here.

Mr Bisson: Yes. Let's move a motion.

I originally didn't have any questions because I thought you were extremely clear in what you had to say. But what prompts this question is an answer to a question you gave here. I'm not quite sure I understood what you meant when you said that you need to legitimize your authority. What were you referring to? I didn't quite catch that.

Deputy Grand Chief Koosees: What I said was that we need to legitimize our traditional laws, that we have carried and that our elders have carried for as many years, in terms of getting a message across to the government and having them recognized through legislation, that it will be part of the process.

Mr Bisson: Ah; and do you see that as something that would fit into the scope of this discussion?

Deputy Grand Chief Koosees: Yes.

Mr Bisson: Thank you. Those are all the questions I have. It was very clear.

The Chair: Thank you for your presentation.

For the committee, the normal 12 o'clock deputation has cancelled.

TOWN OF MOOSONEE

The Chair: Our next presenter is Bob Gravel. Please come forward. Sir, I hope I pronounced your name correctly.

Mr Bob Gravel: It's close enough. I've been called that many times.

The Chair: You have 30 minutes for your presentation. You may leave time for questions if you wish. I would ask you to state your name for our recording Hansard.

Mr Gravel: Thank you, Mr Chair and committee members. My name is Bob Gravel. I represent the town of Moosonee. I'm a newly elected town councillor, less than a month now.

I just wanted the committee to know that Moosonee is an integral part of the area. We are a town; however, we

are an integral part of the First Nations communities on the James Bay coast. Our population is about 3,300 people, of which about 85% to 90% are First Nations people. Our town also suffers from socio-economic problems, as well as the First Nations communities in our area. Many of the northern communities do not have the economic engines like southern Ontario has. So we do need help up here. Although we are a town, Moosonee needs assistance as well. Therefore, I think that's why Bill 97 has been brought forward, to try and assist all the communities in the north, especially the First Nations communities.

We, in Moosonee, would like to know where we fit as a community, given our geography and our semi-isolation as well, along with the other First Nations communities. We all want to reduce the problems that we face in socio-economic areas. We have problems such as overcrowding and high unemployment as well. Again, with our population of 3,300 people—and about 85% to 90% are First Nations people—I'd just like to say that we should be part of the discussions and, if we're going to share, all the communities should share.

Just in relation to the bill: It's an awfully brief bill, I found, but under definitions, I just wondered if the committee would consider an additional definition, a non-First Nations community that would meet certain criteria to be able to be part of any discussions. That's basically all I had to say.

The Chair: We have ample time for questions, about maybe seven minutes per caucus, and we'll begin with the official opposition.

Mr Barrett: The involvement of a non-First Nations community—I'm not sure if that idea has been discussed in the last four days, to my knowledge. I suppose it gets into the mechanisms used for allocation of resources through elected people or, in many cases, hereditary people, challenges of how to allocate resources to off-reserve people—in that context, native people. I know with native communities, the issue of governance comes up.

You've raised a very good point. I'm sure a lawyer would have an opinion on that, but in my understanding, the initial thought behind this bill was a model somewhat akin to how a municipality presently accrues resources through property taxes. You don't, to my knowledge, get access directly to finances through the mining tax, for example. That goes into general tax revenues and then flows back.

Mr Gravel: No. In Moosonee especially, we don't have a broad tax base. So it's very difficult to run a municipality on the tax base that we have. Given, like I say, our geography, I think it's important to consider us.

Mr Barrett: I hear what you're saying too. I think there are many communities where you have a very large proportion of people working and, therefore, a very large proportion of people obviously paying income taxes, which goes into general tax revenue, but they have that income coming in, which gets spent locally on local businesses, commercial taxes, and that beneficial cycle con-

tinues, which we don't see in many other communities in the north or rural, whether they're native or non-native.

I'm afraid, from the input I've heard on this legislation, that it hasn't fleshed out a lot of the details with respect to specific mechanisms to allocate the benefits of new or neighbouring economic activity. I don't have the answer.

1220

Mr Gravel: I don't, either. I'm just offering what we in Moosonee feel would be a fair representation. As you meander through the process—I'm sure there must be other towns in northern Ontario that have the same situation—but that we are at least a part of the process.

Mr Barrett: We're certainly aware that there are a lot of towns in northern Ontario which are declining in population and economic activity. As you're suggesting, I think it's incumbent on this committee to come up with something that's fair and equitable.

That's the only comment I have.

The Chair: We'll move to the NDP: Mr Prue.

Mr Prue: I was a municipal politician for a long time before I did this. It seems to me that municipalities in Ontario, although they're underfunded, by and large—all of them are, even Toronto.

Mr Gravel: No.

Mr Prue: You'll see that in the paper—oh, yes.

Anyway, the difference here is that municipalities do have powers. You have the power to tax. You have the authority to take transfers from provinces or from other levels of government. You have the authority to set fees for planning, zoning and any number of municipal services. You can impose user fees. None of these exist in First Nations.

I am mindful and I agree that you need more money, but I'm wondering how you think that what we're trying to do with this bill is going to help Moosonee or any other northern community. I don't see how you think that the revenue-sharing is going to assist a municipality. It's beyond the scope, I think.

Mr Gravel: When I read "revenue-sharing," I look at it as not just dollars or money but also as jobs and maybe certain types of funding for housing, which, in Moosonee, we're sadly in great need of, and, I think, in some cases, in just as much need as some of the First Nations communities. Because of where we are and our semi-isolation, we have a lot of the same problems. Yes, we do have a tax base, but, yes, we are underfunded.

The town of Moosonee is fairly newly incorporated. I think we're completing our fourth year. So we're still learning a lot, but again, we felt that we should be part of the discussions.

Mr Prue: I am absolutely supportive of your need for more money. I'm just not sure that this is the mechanism to do it, but you've made your presentation well.

Mr Bisson: As the author of the bill, just by way of explanation on a couple of things: In drafting the legislation and coming up with a draft, it was fairly clear that there is no clear answer on the part of mining companies, forestry companies, First Nations governments or anybody what revenue-sharing should look like, because it's

a very, very complex issue. There's also no unanimity at this point, although I think we're starting to get a better sense about just how big this discussion should be.

All the bill attempted to do is establish a process—that's all we're trying to do; that's why the bill is fairly small—understanding that after second reading, if we were to get it passed, which we did last June in the Legislature, we would have some time for a committee to travel to listen to people and then go back and amend the bill to do the basic principle, which is, how do we, in this day and age, figure out a way where we're developing north of 51, for example? How do we allow communities to share? As Mike pointed out, in the city of Timmins, when we developed Falconbridge, or what was then Kidd Creek Mines—pretty simple. The city of Timmins annexed them. It wasn't their territory. Falconbridge was outside of their territory. Sioux Lookout did the same thing at one point.

Municipality after municipality has the right to go to the province and say, "I want to tax that, and I want to claim that into my community." More times than not, the province allowed them to do that, except in the case of Barrick Gold, which was a whole other issue with a couple of other communities.

I think, repeating what Mike is saying, we need to recognize that municipalities have certain rights that may be inadequate—that's fair game—but First Nations have none. What we're trying to do is establish a process to decide how we can get into this discussion and challenge ourselves in order to do better, to understand why it's the way it is.

You raise, however, a point that I think is fairly important, and I just want to hear you out a little bit more on it—that is, you find yourself, like Sioux Lookout, Pickle Lake and many other communities in what most would consider the far north, in a pretty unique situation, in some ways similar to First Nations. You may have activities happening in and around your community somewhere that are not part of your community. Annexing is maybe not an option. I don't think you could annex the Victor project; it would be a very big difficulty if you tried to do that. But how are you able to basically benefit overall? Some have argued trickle-down economics. If Attawapiskat does well, Moose Factory will do well and so will Moosonee. But you raise an issue, and I'm wondering if you had any thoughts and if council had any thoughts about how we include or should we include and how should we include communities, municipalities or LSBs in such a process?

Mr Gravel: I'm not sure of the actual mechanism to do it, other than to include all communities in some of these discussions. That's about the only way I can think of to include everybody and get everybody's opinion. You're right: Trickle-down economics is a way for everybody to share. But I think it's important for everybody to at least have a say or be able to have a discussion.

Mr Bisson: And what is unique and fun about trickle-down economics, in this case, is that it'll be reversed for a change.

Mr Gravel: Yes, it'll be the other way around.

Mr Bisson: Something we've never seen.

The Chair: We'll move to the government.

Ms Marsales: Thank you very much for your presentation. You've brought forward an interesting perspective from the municipal point of view, and I guess my question to you would be, how do you see the concept of discussions around the municipalities interacting with the First Nations being affected by this bill?

Mr Gravel: I suppose around the table with some discussions. From the presentations I've heard—I knew there were a lot of political feelings about how things should proceed. Again, this legislation covers all of northern Ontario, but I'm kind of focused on just our area. Again, it's just a discussion, being partners with the group of communities in the area, being part of that process. It's not a large map. It's just a process where we can be part of the discussions and work together at trying to come to an agreement.

Ms Marsales: Is there currently a structure in place at the local level for some discussions between the First Nations and the municipalities? I apologize, I'm not familiar with it.

Mr Gravel: To my knowledge, Moosonee is a little bit out on a limb. They have the Mushkegowuk Tribal Council, which includes all the First Nations communities, but Moosonee is kind of separate and apart.

The Chair: Thank you for your presentation and for accommodating the committee by moving up to the morning rather than this afternoon. We appreciate it very much.

The committee will recess until 1:30.

The committee recessed from 1230 to 1333.

NORTHERN PROSPECTORS ASSOCIATION

The Chair: The standing committee on finance and economic affairs will come to order. We will begin our afternoon session.

I call forward the Northern Prospectors Association. Good afternoon. You have 30 minutes for your presentation. If you wish to leave time within that 30 minutes for questions, that's fine. We'd ask you to state your name for the purposes of our recording Hansard.

Mr Michael Leahy: Good afternoon. My name is Michael Leahy. I'm here today wearing a couple of hats: I'm representing the Northern Prospectors Association and also the Prospectors and Developers Association of Canada.

Just a little background: I'm a prospector by trade but I've been involved over the last number of years in a wide variety of boards, commissions and committees, including Lands for Life and other committees that have looked at legislation and native issues etc across northern Ontario. So I've been very involved in all this for quite a number of years.

First of all, I'd like to thank Gilles Bisson for getting this whole process kick-started, although once you hear the comments that the Northern Prospectors Association

have, you'll find I don't agree completely with the direction that Bill 97 seems to be headed. Nonetheless, I know why Gilles has started this process. It's because he cares deeply about his constituency. He cares deeply about what's going on in northern Ontario, as I do. I think it's high time that we got a few members of provincial Parliament to do a tour of the far north, to have a look at the situation and to see for themselves what's going on up here, to see this part of the world as compared to downtown Toronto.

I'll read the Northern Prospectors Association presentation. I won't read the Prospectors and Developers Association of Canada presentation. Much of what is being presented by the mining industry is very similar. I've read most of the presentations already. I'll read the NPA presentation and then you can grill me.

The Northern Prospectors Association has grave concerns about the potential effects that Bill 97 may have on exploration in Ontario. If it results in an additional tax being levied on mining, it will stifle exploration and harm the economy. Any action contemplated to improve the northern economy should be designed to encourage exploration and mining, not stifle it.

The present situation in the north is also of concern to the NPA. First Nations communities, and other small communities, are struggling economically while the rest of the province prospers. We are the "have-not" part of a "have" province. There has to be a fundamental change in government policies if this trend is to be reversed. In the far north in particular there are many uncertainties, including treaty rights, that make it difficult for all parties to plan and proceed with development.

The concept of revenue-sharing is what government is all about. Governments collect taxes from individuals and corporations that can afford to pay them and then disburse these tax dollars to provide services and support for those who need them. This is usually done within a framework of clear rules, regulations and jurisdictions. At present, there are no clear rules, regulations or jurisdictions when it comes to resource development in northern Ontario.

There are several recent examples, however, of co-operation between First Nations and the mining industry in Ontario. These have resulted in educational and employment opportunities for First Nations, along with other benefits. We know how to work together, despite the above-mentioned handicaps.

Governments at both the provincial and federal levels have failed to provide the residents of the north or developers of natural resources with a clear framework within which they can plan or operate. For these reasons, we feel Bill 97 will fail to achieve its intended goal of creating prosperity if it proposes a solution that penalizes industry without addressing the underlying issues that have created the present climate of uncertainty and the cycle of poverty that exist today.

The hope, however, is that the discussions surrounding Bill 97 will act as a catalyst that will stimulate both the provincial and federal governments to address the more

fundamental issues that are now creating uncertainty and hampering development that could result in the renewal of the northern economy. Until these fundamental issues are resolved, the north will continue to suffer both socially and economically.

The Chair: We have about six minutes per caucus, and we'll begin this round with the NDP and Mr Bisson.

Mr Bisson: Mike, I've just got to say, I really appreciate your comments. At times, we've been on the opposite side of issues, but I think at the end we've both understood that we advocate for the same thing; that is, how do we make northern Ontario a more prosperous place? I very much appreciate your comments.

You raise, I think, what is the nub of one of the issues here, and I'm struggling to a certain degree on how to deal with it. That is, initially what we looked at doing in this bill was to set up a process only to deal with revenue-sharing, which is basically a government-to-government thing: Whatever revenue we've got now, how can we share that with our First Nations and, where municipalities don't exist, making up the room so that that money can go to First Nations?

People have come forward—and I guess I have two questions: one from an industry perspective and one from maybe a personal perspective. Industry is saying to us—initially in the bill I've included industry in part of the negotiations—“No, keep us out. This is really a government-to-government thing.” Do you agree? That's my first question.

Mr Leahy: I don't think we should be left out to the point where we don't comment, but I don't think the problems that you are trying to address are an industry responsibility.

Mr Bisson: Yes, I hear you, and I just wanted to know where our prospectors' association was coming from.

This brings me to a second question, and this is a tougher one. We're all going to have to wrestle with this thought as a committee, and all of us here in northern Ontario. Many people have come before the committee and have said, “Maybe what we need to do is develop a process that deals with the bigger issues, and that is, how do you deal with development prospecting—mining, forestry etc—on traditional lands?” As you know, there are good examples where things work well, but you and I and many people here can point to where things didn't work at all. Is that biting off more than we can chew, or should we at least attempt an exercise to start to try to get our heads around this thing?

Ah, he's got the document right there—all the answers.

1340

Mr Leahy: Just by coincidence, someone e-mailed me a paper that was recently released, A Case Study of Conservation in the Abitibi Region—Quebec/Ontario Border. This is a federal initiative that's looking at three case study areas across Canada. There's quite a bit of good information in this, and one of the pieces of information in it that is pertinent to today's discussion is recent developments across the border in Quebec. I don't

have details, but the paper cites that the Quebec government has recently negotiated a deal with natives from Timiskaming, where I live, right up through to the Baie James region. It seems to me that although Quebec doesn't do everything right, there are times when they have been able to take the bull by the horns and get things done.

Mr Bisson: Does it deal with development issues?

Mr Leahy: Yes, it does.

Mr Bisson: So to my question, should we try to get our heads around that, in addition to revenue-sharing?

Mr Leahy: I think having the native community and the government sit down and hash out how development can take place on traditional lands is a key part of establishing a predictable framework that we can all work in, and once we have a predictable framework, I'm sure there's room for the First Nations to gain benefits, as they did with the Baie James project especially. If I can just time-warped back about 30 years here to the early 1970s, when our illustrious former Prime Minister Jean Chrétien got off the dock up in Baie James, and Billy Diamond and—

Mr Bisson: I think it was René Lévesque. Was it Bourassa or Lévesque? I don't remember.

Mr Leahy: No, that was Jean Chrétien.

Mr Bisson: No, who was with them.

Mr Leahy: I'm not sure. It might have been Bourassa.

They basically told them to take a hike, because the federal government at that time was coming to a patronizing position, and that little incident on the dock, I think, transformed the whole direction of native-to-government relations in Canada. Since that time, that first big deal that was made over Baie James has been a catalyst that has catapulted the whole native community all across Canada forward, and a huge number of very progressive arrangements have been made with various governments. That has not happened here, and Ontario is lagging far behind British Columbia, far behind Quebec. It's time that Ontario took the bull by the horns.

The Chair: Thank you. We'll move to the government.

Mr Colle: It's intriguing, with the Baie James agreement. You think that would be a good model to be copied, obviously.

Mr Leahy: I don't know all the details of the Baie James agreement. I know that there was revenue-sharing from the hydro development at that time, and since that time, the recent deal that the Quebec government has made I think has expanded from that initial process. I'm just quoting a couple of lines out of this paper, but it has taken a great leap forward toward setting up a framework where resources are going to be developed within a set of rules and guidelines that everybody can write and everybody prospers by.

Mr Colle: Generally in your industry, where are we on the economic curve? Obviously we've got some promising news in Attawapiskat about the potential for the diamond mine there. What are the prospects—no pun intended—for mining and discovery?

Mr Leahy: The prospects of any single community having a mine found next to it are astronomically low. It's just by chance that a mine is found in the first place. Mines are few and far between. The far north has historically not been nearly as productive as my home territory down in the Timmins-Kirkland Lake area. Nonetheless, exploration is not quite in a boom time, but we've come out of a deep trough over the last few years and there's a lot of activity going on. When we do find mines near our communities, be they native communities or non-native communities, in recent years there have always been agreements between the mining companies and the communities whereby there are educational opportunities; there are employment opportunities provided. Companies are very active in the community. They almost always participate in community projects, funding various charitable organizations etc, and they've been very active even without a set of rules to force them to do that.

The mining industry has been very proactive in trying to do the best they can in a vacuum when it comes to what the guidelines are for consultation. Who do we consult with? Who do we have to or not have to consult with? Who do we have to fund, not have to fund? It has all been voluntary. I think they've done an admirable job under the circumstances, but it has been a very difficult process. Each time this happens, we have to start from square one and reinvent the rules all over again and then invent a new process all over again, which makes it very difficult. As the Victor experience is showing right now, it can be a long and burdensome process that so far has put the Victor project behind by almost a couple of years. If Victor had gone ahead full speed, we might be on the verge of production there today. But as it is, this coming winter they'll only be able to do a minimum amount of work and won't be able to actually proceed with development because there are roadblocks in the way. Those roadblocks are there because there are, in the first place, some cumbersome existing rules with the EAs, both federal and provincial, and then there are unsettled treaty rights and uncertainties regarding who's to share revenue and the relationships with various local communities. How far should De Beers be involved in community relations? Should it end at Attawapiskat? Should it come as far as Moosonee? These are all uncertainties that make it difficult for the company to predict and to plan and eventually to proceed.

Mr Colle: So that's why a bill of this type might be helpful, because it might start to set down procedures, protocols and rules so that everybody would know up front what the rules were.

Mr Leahy: From what I read in this bill, it deals with revenue-sharing, and yet if it deals with an additional tax on mining, I don't think this is a solution. If it deals with the provincial government sharing resource revenues—which all resource companies pay—with local communities, that's another story. But in order to do that, we need to establish jurisdictions. At present we don't even know what the jurisdiction of each community is.

Mr Colle: Where one begins and one ends.

Mr Leahy: Exactly. So in order to resolve that, we need to start getting deeply involved in constitutional issues and treaty rights etc. I'm not sure exactly how the Quebec experience worked with this recent deal, but I think it would be very worthwhile to speak with our Quebec counterparts and find out how that worked and see if we can learn something from that.

The Chair: Thank you very much. It was very informative. We'll move to the official opposition.

Mr Miller: Thank you for your presentation. I'll follow up on Mr Colle's point. Basically you're saying that for Bill 97, if it's a new tax, that would be a bad thing for mining and prospecting.

Mr Leahy: It will be bad for prospecting, exploration and mining. But also, if it applied to the timber industry—not that I want to speak for them—I am sure with softwood lumber tariffs etc they're struggling to sell their products into the free market as it is. As well, the mining industry is selling to a free market. We're not price setters; we don't set our prices. We sell into the world metal markets, so the prices are set for us. We have very little control over prices. In the miners' case, we have very little control over where we mine. A mine is where you find it.

1350

Mr Miller: You were talking about new developments without a set of rules, giving the example of the De Beers Victor mine. Following up on what Mr Colle was talking about, should the rules be mandated by government? Should impact benefit agreements be mandated by government and should a protocol be set by government? Would that be helpful in creating more certainty?

Mr Leahy: I don't profess to speak for everybody in the mining industry on this one, but if, for instance, a company like Placer Dome finds a very rich ore body and makes a very rich deal with the surrounding communities, does that mean the next company that finds a marginal ore body must make the same type of deal when they're operating very close to break-even?

Mr Miller: In that scenario, could it affect the viability of a mine?

Mr Leahy: Exactly. If Placer Dome sets a high benchmark, can anybody else live up to that benchmark and is that benchmark reasonable in all situations? What benchmark are you going to use? In the next mine that's found in a native community, the people there are going to look to Placer Dome.

Mr Miller: So you're saying a standard wouldn't necessarily work?

Mr Leahy: I'm saying that doing it in the ad hoc fashion it has been done could set dangerous precedents that set unrealistic expectations that are difficult to deal with, and perhaps something legislated would give a level playing field and give everyone a predictable set of circumstances to step into. As it is now, the situation is quite unpredictable. You don't know what you're going to run into. Every situation is different.

Mr Barrett: This legislation focuses on resource revenue-sharing, and many of the presentations seem to

focus on discussion of the transfer of money. We're also told that discussions over the years on the treaties did involve sharing. I'm wondering if this legislation is pie in the sky, that has something that's been broadened, where sharing in the sense of it being a two-way street is not solely focused on the transfer of money on a balance sheet to a band council but something broader—you made mention of employment and training. With companies coming into an area, there's a tremendous amount of expertise, experience, management skills and human resource skills.

You indicate the government has to make a fundamental change. Is it possible for companies to make a fundamental change in how they do business, in better keeping with the area they move into, for their benefit? I'm thinking of the example of a young guy who isn't working and isn't trained. Is there any potential for that sector to do something and benefit as well, rather than just transferring money or seeing the transfer of tax money?

Mr Leahy: The existing impact benefit agreements have all included training and employment. There are a lot of people in Attawapiskat who never had opportunities previously who have found tremendous opportunity working on the Victor project. In Kirkland Lake, where our flagship mine closed a few years ago and was just re-opened, the company that came into town has provided training and been very conscientious about hiring locally and using local contractors.

The Prospectors and Developers Association of Canada has a Web site called E3—I forget exactly what E3 stands for. It has a set of guidelines for working with communities and the environment, and within those guidelines are many pages of community relations-related topics. All mining companies are urged to follow the lead that Canadian companies are providing by being involved in the community and trying to maximize the benefits of their operations locally.

Mr Barrett: Benefits for all sides?

Mr Leahy: For everyone in the region of the mine there has to be consideration given for participation in the project. Rather than trying to import workers from elsewhere, they should be training local people and hiring local contractors. It should happen not only in the far north but everywhere, from Ulan Bator, where they're developing big deposits, to Kirkland Lake. The companies are all—I shouldn't say every one of them, but the majority of them are following these guidelines and doing their best to live up to the E3 principles.

The Chair: Thank you for your presentation this afternoon.

Are the representatives of Matawa First Nations here? I understand there are weather problems in Thunder Bay.

WAKENAGUN COMMUNITY FUTURES DEVELOPMENT CORP

The Chair: I call on Leonard Rickard. Good afternoon. You have 30 minutes for your presentation. You

may allow for questions within that 30 minutes if you wish. I would ask you to state your name for our recording Hansard. You may begin.

Mr Leonard Rickard: My name is Leonard Rickard. I'm the executive director for Wakenagun Community Futures Development Corp.

Thank you for the opportunity to make a presentation to the committee today. Wakenagun is a regional non-profit community economic development agency serving the western Hudson Bay and James Bay coast as well as three First Nation communities south of Moosonee/Moose Factory.

My primary goal here today is to share information relating to our efforts, on behalf of our 10 First Nation communities, to take a more proactive role in resource development issues.

In September 2003, direction was given at the Mushkegowuk council annual general assembly to undertake a multi-faceted endeavour. This included the need to (1) address the regulatory void surrounding First Nation consultation in relation to resource development occurring within the Mushkegowuk territory; (2) develop or identify a process by which we would define relationships between the First Nations, both levels of government and resource development companies; and (3) define geographically the Mushkegowuk territory.

By the spring of 2004, and with the financial assistance of Industry Canada and the Department of Indian and Northern Affairs, we were able to initiate a community-based consultative process. This process will lead to the development of a Mushkegowuk resource development protocol. To date, we have completed five community research sessions and met with over 200 individuals.

The message has been clear: Resource development is welcome in our communities. However, any process that would replace the regulatory void must (1) include the provision of First Nations with greater control over development; (2) ensure the protection of Cree lands and traditions; (3) address the improvement of living conditions; and (4) address self-government and self-sufficiency.

1400

Mr Bisson: Just a point of order: Do you have copies?

Mr Leonard Rickard: Yes, I do.

Mr Bisson: Could we have them distributed by the table? It's just because you're reading off points that I'd like to make notes on.

Mr Leonard Rickard: Sorry about that.

All of these points have a direct tie-in to Bill 97. Without a new revenue stream, First Nations will be unable to address the demands of a growing population. Control over development must include the financial resources to assert that control. Protection of Cree lands and traditions is primary. This includes support for native-language programs. Improving living conditions includes better housing, access to health care, and equalizing the cost of living.

For instance, I can buy a bottle of wine at the same price here in Moosonee as in Oakville, but trying to buy a litre of milk at the same price will not happen. The province of Ontario subsidizes equity in regard to the sale of alcohol but does nothing to ensure access to the most basic human requirement: food.

After reviewing the minutes of the legislative debate in regard to Bill 97, I highlighted several references to concern about the definition of traditional lands and what that entails. There is no confusion about traditional territory in the minds of our members. In fact, like many other facets of our culture, although it is not written down, it is clear to those with a connection to the land.

However, our leaders, having recognized the importance of written documentation, have initiated formal mapping exercises. The first of these was undertaken in the mid-1990s under the leadership of the Mushkegowuk council.

More recently, Wakenagun and Mushkegowuk have partnered to resume a formal mapping exercise of the Mushkegowuk region. We envision a process that would define geographically the Mushkegowuk territory in less than two years at a minimum cost of \$3.2 million.

This mapping process goes hand in hand with the development of the aforementioned Mushkegowuk resource development protocol. Both projects add weight to the collective position of the Mushkegowuk First Nations. They provide a clear answer to the questions of the provincial Legislature, this committee, and the resource development industry.

In regard to the protocol, we anticipate that the consultative process will be complete by early November of this year. We are targeting the development of the final protocol no later than March 2005.

As for the mapping exercise, our only obstacle at this point is project financing. We will be unable to commission the mapping until adequate financial resources are identified—and let me make it clear: First Nations do not have the financial capacity or flexibility to undertake this initiative on their own. The financial participation of both levels of government is necessary.

In conclusion, the Mushkegowuk First Nations recognize the role that resource development can play in the health and well-being of their communities. At present, the benefit that they receive is ad hoc in nature and, more often than not, unsupported by the province of Ontario.

Having long benefited from our relationship to the land, we stand in the dawn of a new era. Our First Nations have proactively undertaken processes to build upon the relationship laid out in our treaty. Now is the time for the province to reciprocate that goodwill.

Bill 97 provides opportunity to share in the wealth that our resources contribute to the economy of this province. It is my hope that we can move forward together.

The Chair: We have about seven minutes per caucus, and we'll begin this rotation with the government.

Mr Colle: That analogy that you refer to, that we've referred to in our discussions on Bill 97 about the fact that in Moosonee you can buy a bottle of liquor, a bottle

of wine for the same price as you can buy a bottle in Toronto because it's provided by the government-operated store, the LCBO, yet, if you look at the price of, as you said, milk or vegetables, as we've gone through the Northern stores, we can see it's almost five times what it is in Toronto—has any thought been given to how you might solve or get toward solving that discrepancy in pricing and the high cost of basic nutritional food that you have in northern Ontario, and what the government may be able to do in that regard?

Mr Leonard Rickard: I really can't comment directly on that particular point. I know that some of the First Nations have undertaken studies or provided some work to address that particular issue, the cost of food in the communities. They've looked at concepts such as co-ops or bulk purchasing. Like I said, that's something being undertaken by them directly.

This bill will provide, I hope—if it goes through—additional revenue streams for the First Nations which may assist in the undertaking of those projects which they have looked at and are looking at.

Mr Colle: Just to follow up on that, you mentioned that your organization is involved in economic development for a number of First Nations communities in this area of the James Bay coast. Are there any food co-operatives among First Nations that have ever tried to establish this type of affordable food or milk? Have any organizations or groups of First Nations ever tried this? Do you know?

Mr Leonard Rickard: I can say they've looked at the problem. Obviously, there's a gross monopoly in regard to the sale of food in this area. Several of the First Nations have tried to open up their own grocery stores to hopefully reduce the cost of groceries in the communities. In many cases, the monopoly has simply tried to drive them out of business or has done their best to minimize the impact that these First Nations-owned operations would have.

Mr Colle: So at present there isn't an operational First Nations joint venture co-op selling basic food necessities or some other nutrition that you know of?

Mr Leonard Rickard: No co-operative endeavour, no.

Mr Colle: So you're basically left at the prices set by the monopoly, as you call it—the Northern stores.

Mr Leonard Rickard: Yes.

Mr Colle: Can anyone else, as an individual, bring in food, milk and products into—in Moosonee, I could import food products. Could I then sell them to compete with another store? Could I do that?

Mr Leonard Rickard: You can try to compete with the monopoly.

Mr Colle: But they would essentially drive down their prices and drive you out of business.

Mr Leonard Rickard: Most definitely, yes.

Mr Colle: So they're jealous of guarding that stranglehold on the economy, you might say.

Mr Leonard Rickard: You might say that.

Mr Colle: OK. Thank you very much for that information.

The Chair: We have time for a quick question from Mr McNeely.

Mr Phil McNeely (Ottawa-Orléans): Thank you for the presentation, Mr Rickard. You mention in here that identification of the traditional lands has been started—the definition of traditional lands. I think it was Deputy Grand Chief Dan Kooses who said this morning that it's important that we get an inventory of the resource revenues that might be available. Has there been anything started yet to identify what resource revenues might be available for some agreement, if it were to come about?

Mr Leonard Rickard: That hasn't been specifically included in the scope of the project which we're proposing, but I know more broadly we're looking to identify areas of interest that would be exempt from resource development or areas that the First Nations would be willing to work very actively toward developing.

The Chair: We'll move to the official opposition.

Mr Barrett: Thank you, Mr Rickard. You indicated that additional resource development is welcomed, that you need more control over that. One thing you mentioned is the demands of a growing population. In many parts of Ontario—I think of my rural area in the south—we have a growing population, in many communities, of old people. I'm assuming you're talking about a growing population of young people. I see that as a real plus, especially in the area of economic development.

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I'm in a primary agriculture industry area where we need young people. I make the superficial assumption that new resource enterprises—mining, for example—need that kind of labour, that kind of work. I used to work in construction when I was much younger—I don't think I could do it now—so I see that as a real plus. However, there are obviously some big barriers for young people to get involved, say, in a neighbouring resource activity and perhaps still be able to hunt and fish at the same time. It may not work in with the shift work or holiday times and things like that. Do you see that as a plus, and how can we perhaps get this growing population of young people more involved?

Mr Leonard Rickard: First of all, I don't think we should fool ourselves by saying that a growing young population is necessarily going to be a benefit to us. Obviously there are other issues that have to be looked at. A growing population means increased demand on things like education and health care transfers from the federal government. We'd be fooling ourselves to say that those costs are increasing year by year. They're not.

Having worked in human resource development for several years, I can tell you that it's not the desire of our First Nation communities for young people to turn the region into another Mexico. We don't want to be a source of cheap labour. We want to be a skilled workforce providing significant contributions to the economy of this region and to the province, and that costs money.

There probably will be an argument somewhere, sometime over whose responsibility it is to educate First Nation young people. At present, I know the federal government covers that cost, but certainly I think the province has a role to play in that.

In regard to the development of our communities, I think the resource development industry has made it abundantly clear that they want skilled labour, that they want people who know what they're doing, and unless we're able to provide skills, education and training to the future young people of this area, there will be no point in saying that we'll benefit from it. We have to benefit from it by educating and training our young people.

Mr Barrett: Is there any merit at all—I've certainly done an awful lot of unskilled labour, then I went back to school, and down the road I was able to get an awful lot of training on the job. Do you see that model working as well or do you feel it's strictly education first, and then walk into a high-skills job? I'm not sure where the unskilled labour would come from, then, under your model.

Mr Leonard Rickard: Can you repeat the question or your point?

Mr Barrett: I got the impression that education and training are very important, and there may be the perception that some people don't want to do a low-skills job or a low-paying job. To me, a job is a job. I've done that kind of work. Later on I went back to university and got a better job. I just wondered, do you see the flexibility there?

Mr Leonard Rickard: Definitely. I'm not trying to say that low-skill jobs aren't valuable. They are, but I don't think we should be selling ourselves short here. We should be targeting the high-paying, high-skill jobs.

Mr Barrett: I see this sharing business as a two-way street for the benefit of native communities, for the benefit of companies. Should the companies and government be doing other things beyond much of the discussion here, which seems to be heading toward a mechanism to transfer money? Can companies be more flexible? Can they be doing more to make it easier for a young person to get involved in their company?

Mr Leonard Rickard: Certainly I think industry has a role to play. I was on a flight to Toronto several months back and met a chairman or president of a large mining company on that flight. He told me, essentially, "This is between you and the government. Whatever happens between the two of you needs to be worked out by you guys. We'll buy into it once you've settled what you need to do."

Mr Barrett: It suggests to me that there could be a lot more discussion, a lot more dialogue, rather than people getting into boxes.

The Chair: Thank you. We'll move to the NDP.

Mr Prue: I'm somewhat intrigued about the mapping exercise that you spoke about. You said, and I believe rightly so, that most First Nations communities know where their land is. From history, from tradition, I guess, they know that it goes over to this lake or to this area of the muskeg or whatever. They know.

Do any of the communities, to your knowledge, claim similar pieces of land, where at some point they say, "Well, no, that lake, that area, is ours," and another First Nations community will say, "No, that one's ours"? Do any of them share it jointly, or is there any dispute about any of these lands?

Mr Leonard Rickard: I think it would be unrealistic for any First Nation to state that there is a definitive line between A and B. My impression or my understanding of what's occurring in regard to these boundaries is that there definitely is overlap. Actually, it's interesting that you bring this up. I just met outside with several individuals, and they had brought up the concept of that overlap and the sharing of that overlap for particular purposes: Group A would use it for one purpose; group B might use it for another purpose, traditionally.

In regard to modern resource development activities, further discussion needs to occur on that, but we're certainly more than aware that First Nations' traditional territories do overlap. That's the reality of the situation. But it had been communicated to me previously that it's not, "Either I'm in or I'm out." It's more about having a collective interest in the well-being and maintenance and stewardship of that land, as opposed to, "It's mine and not yours."

Mr Prue: All right. That's what I was hoping you would say.

In terms of revenue-sharing, do you foresee this being difficult? Say a mine was developed on lands not that are under dispute—I'm not saying they are disputed, whose they are—but that two communities have co-owned or co-used. Do you see that being a problem, or do you think this can or should or would probably be worked out amicably, just as it has, I guess, for generations, in terms of one group using it for fishing and another for hunting?

Mr Leonard Rickard: Well, I can tell you that with the Mushkegowuk resource development protocol, the project which we are currently undertaking, it's our desire that it will lay out a framework for First Nations to relate to one another, to define the relationship to one another, to put together a process by which they will be able to address such issues. I think First Nations will co-operate and maximize benefits from development.

Mr Bisson: Thank you, Leonard. I'm aware of quite a bit of the work that you're doing in this area already. I guess the first thing I want to ask is in regard to part of the direction that you got from Mushkegowuk Tribal Council to deal with developing this protocol. Can you maybe share with us some of your thoughts about what you think needs to happen vis-à-vis protocols between the provincial government and First Nations in allowing development on your traditional lands? How far down the process are you? Maybe you could share with us a bit what your thoughts are up to now.

Mr Leonard Rickard: Obviously I think in undertaking this process we wanted to put forward a First Nation perspective on what we'd like to see occur. There's a general consensus among the communities that we've been left out of the process. Certainly I know there

are discrepancies between requirements related to mining and forestry, the levels of consultation.

The notion of revenue-sharing has actually come up during the community sessions we've done to date. We have been in five communities and, like I said, met with over 200 people. We've met with chiefs and council, elder groups, youth groups, women's groups, and they've all pretty much said the same thing: "Yes, development is valuable for this region, but we must not sacrifice everything that's valuable to us culturally and traditionally."

We're not done with that process yet. We're midway through the process. Like I said, we still have remaining communities to look at. We have a regional resource development forum that we're going to bring everybody together to complete, and we still have to draft the final document. We're nowhere near done.

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Mr Bisson: I guess that brings me to my question. What we're dealing with in this committee and in this bill is trying to develop a process which we initially thought would only deal with revenue-sharing, but I'm hearing more and more both industry and First Nations say overwhelmingly that we need to look at some of the broader issues that you're talking about. Would it be appropriate for us in some way—obviously, if we bring the money and fund you, we could. But is there some kind of role that we can play together in the work that you're doing—we're trying to set out a process and I'm a little bit worried about reinventing the wheel. You've already started this. Any thoughts about what the process should look like and what role Mushkegowuk can play in that? You are the leaders in this area.

Mr Leonard Rickard: Certainly for the process, what role can we play? What role can the province play? I think the clear statement there is that we want to participate. Far too often we're left on the sidelines. I'm glad to have the opportunity today to bring this forward, and I think more of this needs to occur. In regard to the work that Mushkegowuk is doing in relation to resource development, I think this needs to occur for other First Nations across the region. This can't happen in isolation.

Certainly for ourselves, in relation to this bill, I see a tremendous tie-in. It has been explained to me that the protocol which we're working on will be an umbrella resource revenue-sharing. Resource development will just be one component of that umbrella or come under it. So there's a lot more work to be done. Regulatory consultation requirements covered by provincial regulations need to be addressed. I could go on and on. I'm sure you've heard the arguments made at many other forums. There is much to be done.

Mr Bisson: I'll ask a very quick question: Have you gotten any money from MNR or anybody in the province in order to assist with that, or has it all been federal?

Mr Leonard Rickard: In regard to the protocol itself, it has all been federal. At present, we're looking to initiate a mapping process and we're hoping there will be broad support from both levels of government.

Mr Bisson: Just by way of comment, it's interesting because resource development falls under provincial

jurisdiction and they're forced to go to the feds to get the money. It's kind of an odd system.

The Chair: Thank you very much for your presentation.

WESLEY GROUP

The Chair: I would now ask the Wesley Group to come forward. Good afternoon. You have 30 minutes for your presentation. You may allow time within that 30 minutes for questions if you wish. I would ask you to state your name for the purposes of our recording.

Mr Norm Wesley: Norm Wesley. Thank you very much. I appreciate being given the opportunity to speak here on Bill 97. I'm a member of this community of Moose Factory. I was born and raised here. I'm a member of council as well. I'm a member of the board of directors of the Moose Band Development Corp and I'm an associate of the Wesley Group, which is a consulting group here that is headed by my son. I actually work for my son.

I wanted to speak a bit on Bill 97 and the whole notion of revenue-sharing. Before I do that, I think it's important that I take time to reflect back, just in case, to set a foundation in terms of the mindset of where I'm coming from and how I understand things in the past, and perhaps ending with some notion of a vision of the future, if you will.

When I look back in the oral history of our people, I hear much about the relationship that we have with the Creator and how the Creator has put us here. There is a legend that goes on in that regard. I'll spare you the time, if you will, in not talking about the legend, but rest assured that it is there.

This legend essentially says that we were placed here with all other creatures to live and survive and to be sustaining, just as the moose are sustaining and the fish are sustaining and the birds are sustaining, and all creatures, and for us to thrive from that land. That's essentially the understanding we have, and that, in my mind, is so key and fundamental in terms of who we are as First Nations people. How we interacted with that land and the environment shaped us to be a very distinct people in the way we lived, the way we hunted, the way we dressed, the way we spoke and the way we articulated with one another, the way we understood nature as we saw it, and the relationship we have with the Creator. Everything was there. Everything was there for us to sustain ourselves through countless generations, through time immemorial, as they say. Everything was there. It was all in place. There was harmony.

Yet there were times when our people spoke of strife, hunger, starvation. Inasmuch as we thrived off the land, there were hills and peaks and valleys, if you will, in terms of the manner and the degree in which we were able to sustain ourselves as a people, just as the moose and the goose and the fish do as well. They have peaks and valleys in terms of their sustainability. It's a natural course of life, isn't it? But we sustained ourselves and we grew as a people, right to this very day.

But as the European came along, it quickly became evident that our sustainability was being affected considerably, and you know that. Everything that we needed to sustain ourselves, we had, prior to the European. As I said many times over the course of the last three years, there was no core funding from government. None. Not one penny. Everything that we had was in the land. That was so fundamental. Now, today, our sustainability from the land has been eroded dramatically. Treaties were signed, development took place, and you know the history perhaps as well as most other Canadians do. But we know it best, because right now we have no sustainability of land within our resources. All we have is core funding. The core funding that we have right now is something that we were able to use to the extent that we were able to manage and sustain ourselves as a people, if you will, over the course of the last 40 years, in this community anyhow, in managing the kind of monies that the government would provide for us through the promises they made in the treaties.

I'm reminded of not only the treaties; I'm also reminded of the promise that was made by John A. Macdonald at the time, when he went to the King or Queen of England and said, "If you transfer that part of Rupert's Land over to the Dominion of Canada, we will ensure that the well-being and interests of the people will be taken care of. We make that promise."

As I look today, I say to myself, "What was our interest? What was our well-being?" Well, it's very fundamental, isn't it? Our interest and well-being was the land that we lived on and the resources thereof. We believe that the governments of the time and of today have not lived up to the promises they made to the King and Queen of England in transferring that land, some of which belonged to us here in the Mushkegowuk area. They haven't.

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I had a chat with my brother-in-law, Bill, just before lunch. He said something to me, and I said, "Now, that's a really profound statement." I'm going to repeat it to you people. What Bill said was that he said to an individual at one time, a non-native person, that we are the most heavily taxed people on this continent. Although we do not pay GST or PST or any kind of tax, we are the most heavily taxed people in this country. If you look at the social conditions, the economic conditions that we live in, we have been dearly taxed by this country, by the federal government and the provincial government, in the course of time.

We've shifted, then, in terms of who we are, and with the core funding that we do get, I would probably say, as a First Nation member of Moose Cree, that we have done well. We have done well with the resources we've been provided, the core funding, if you will, and have proven to be good managers. Yes, there have been hills and peaks and valleys, if you will, in terms of how we've been able to manage over time, and we will continue just like anybody else, but overall we are a progressive people. We are a very progressive people.

My desire for the future, my vision of the future, is to get back to that fundamental principle of sustaining ourselves as a people from our God-given right to the resources of this land.

As a former grand chief and chief of this community, I had many dealings politically with the federal and provincial governments and one individual in particular when the development of hydro by Ontario Hydro was being considered a number of years ago through the demand-supply plan that we fought vigilantly. In the course of that and our fight to settle past grievances on hydro development within our traditional lands, I said to one of the government officials at one time, "Though we have not come to an agreement in terms of how this is going to pan out because there is such a gap between you people and us—we will leave it at that—you can rest assured that I will see you again." That was probably in the 1980s somewhere; 1983, I think it was. Eleven years later, in Fort Albany, I ran into him again. I said, "David, so we meet again," and he laughed at me, not because he thought it was funny but because I knew exactly what he was remembering. I said, "We're still here and you're still here." And he says, "What is it, Norm?" I said, "Do you know what this is? This is all about our sustainability, and not only our sustainability but the growth and wealth and prosperity of this province and the prosperity of this country."

That is what this is all about. We can continue to fight and be reactive and be confrontational, especially in resource development, but if we can come together, we can build and rebuild our First Nations to be a proud people again, as we were prior to the Europeans coming to this land. We can help build the economy of this province and the economy of this country, and together we can stand proud worldwide and we can demonstrate to all others worldwide what we can do. But there has to be a political will. That's the message you take back to the people in Toronto, and that's the message I want to deliver here today. I can easily say right now before this committee that this resource revenue-sharing is a red herring and criticize it up and down and say no, because it's going to destroy our land. But I think back and I say, "Where did we come from and where are we going?" We've got to go back to the land, but go back to the land in a slightly different way, where we begin to reap the benefits of the resources of our lands in a sustainable way. One of the key elements is, of course, revenue-sharing. So I welcome Bill 97 in terms of revenue-sharing as a concept. I think we're clearly headed in the right direction. In revenue-sharing, we've already had quite a number of agreements, if you will, impact benefit agreements, across the province and indeed across this country between resource development proponents and First Nations where there's been a sharing of some revenue.

I'm not exactly sure how Bill 97 is going to pan out. I understand that within X number of days, the parties—the provincial government, the proponent, First Nations, other parties that may be invited and so on—will sit

down and talk. When we talk about resource revenue-sharing, we're talking about the revenues that will be generated by the proponent, a share of that, and revenue, the taxes, that will be imposed by the province, and a share of that as well. Clearly, that's my understanding of revenue-sharing.

To some extent, I have a bit of a fear or an apprehension, if you will, for some First Nations which might not have the capacity to sit down and negotiate. If you don't have the capacity to negotiate, there's a tendency to become rhetorical, perhaps, and negotiations break down, an arbitrator comes in, and the arbitrator decides. It's really critical that consideration be given to capacity-building to enable First Nations to negotiate on a level playing field for resource revenue-sharing. It is critical.

Bill 97, I think, has the potential of pitting resource developers, First Nations and the province in a bit of a fight, if you will. But I think it's critical that as First Nations we have the capacity to do that. Certainly within our First Nation, I feel very confident that we have the capacity to do these types of things, and indeed we are. As I speak, we are doing things with Tembec and so on. We have the capacity to do that, but I think it must be said that not all First Nations have the capacity to do that. I think it's important that the members of this committee and Bill 97 consider capacity-building as being critical; capacity-building in terms of education as well to enable our people to participate in resource development.

When we look to the future, we see something happening that's probably not common across this province. I'm the chair of the Weeneebayko area health integration committee, and we've undertaken a review of health care services in the area up and down the coast.

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One statistic in particular that I found rather revealing was that we have a total population of 10,000 people between Moosonee, Moose Factory and Peawanuck. I forget the percentage, but a very high percentage of these people are young people, as was pointed out in the last discussion previous to my presentation. By the year 2020 there will be 20,000 people between Moosonee, Moose Factory and Peawanuck—that number. In some ways we say that's good, but the real scary part of this whole development, if you will, is that if the status quo remains, we'll have a problem that's going to be nothing like the problem we have today.

We must be proactive as First Nations peoples in our relationship with governments, federal and provincial, to strike various types of accords and agreements and to ensure that government lives up to their promise of treaty rights, aboriginal rights, constitutional promises they made to get this land from the King and Queen of England in 1870 and to ensure that our interests and well-being are taken care of. These are critical elements.

At the Moose Band Development Corp we've undertaken substantial work in what is now known as the Moose Cree management unit to undertake baseline studies on the environment in preparation for forestry operations that could take place. I'm hopeful that in the

next two or three years we, as Moose Cree, will have a sustainable forest licence. That sustainable forest licence, I understand, will give us the ability to manage the forest production within our area. It's something that I find is a real opportunity for us. This whole notion of resource development and revenue-sharing is one thing; it's another thing to be able to say how resources will be developed, and it's critical that there be some movement toward enabling First Nations to manage the resources, and to co-manage the resources, if you will, with the government. It is critical we do that.

If Bill 97 were to say that revenue-sharing would enable First Nations to enter into an accord with the province of Ontario to co-manage traditional lands, I think we would be bumping Bill 97 up to a higher step, if you will, because that's really critical. So co-management is a critical part of resource development, as most developers will know.

As I've been experiencing over the last few years, forest companies and mining companies have been vigilant in considering environmental impacts and there have been vast improvements, as I understand it. But I think it's important we move that critical step forward, not only in just revenue-sharing, but in managing the resources together, hand in hand.

There is one other item that kind of lingers in the back of my mind and that's the past relationship that First Nations peoples had with the provincial government. That's true with us as First Nations peoples.

In running a scenario of having the proponent, the province and First Nations sit together and talk about revenue-sharing, you can rest assured that one of the things that will come up will be past grievances, by previous developers, if you will, on traditional lands, and settling that score.

One in particular, of course, with us, in terms of the Moose Cree First Nation, is the development of the hydro sites in the Moose River basin. That is unsettled. It's outstanding. It's something that needs to be settled, and it has to be done in an expedient way.

I think there has to be a demonstration of the political will, not only to get into this business of revenue-sharing, but to settle those outstanding past grievances that government has with First Nations peoples in a way in which we can move forward together. We will not be able to move forward together hand in hand if we always have past grievances.

It's like an individual who tries to grow and become a better person, but back in the recesses of their mind, there was an incident that took place that made things very difficult for him or her to grow—the dark cloud, if you will, the blotch.

If revenue-sharing is to go anywhere, in the context of having parties sit down to come up with an amicable agreement, I think it's going to be critical that these past grievances be settled and done in a way in which we can move ahead, because without that, it's going to come back to haunt us, and when I say "us," I mean us as First

Nations peoples, as resource developers and as government. It's critical that we do that.

I really welcome Bill 97 because it points government in the right direction. I want to applaud people like Gilles for being a sponsor of this bill and pointing us and pointing government in that direction.

There are a lot of things that have happened in this world today that have created conflict. We only have to listen to the National at 10 o'clock and it's usually the first or second story, isn't it, where there's conflict?

As I look ahead, I would say to myself, it would be a real shame, wouldn't it, by the year 2020, when there are 20,000 of us here and we're starting to throw rocks at you guys, like they do in Israel. That's because there was no political will. There has to be political will on our part, there has to be political will on the part of government, and there has to be the business will of resource developers to move ahead, to have a sense of vision of building this country, this province. It would be a much better place for all of us to live.

Thank you very much.

The Chair: Thank you. You have used almost all of your time, but we can perhaps have one question from the official opposition. Mr Miller defers to Mr Bisson.

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Mr Bisson: I want to make the first part of your analogy, of looking at the past and the oral history and teachings of the past, mandatory reading for most people. That was the clearest I've heard that enunciated in all my life, working with the Mushkegowuk Cree. I applaud you. That was phenomenal.

The Chair: Thank you for your presentation.

PETER NAKOGEE

The Chair: I would call on Peter Nakogee. I'm compelled to repeat myself, but you have 30 minutes for your presentation. You may allow time for questions, if you wish, within that 30 minutes. I would just ask you to state your name for the purposes of our recording, Handard.

Mr Peter Nakogee: My name is Peter Nakogee. Thank you, Mr Chairman and the committee, for coming here today to Moose Factory. I welcome you to my territory.

This territory is our traditional land. In your understanding, it would have been farmland. That is our traditional territory—a definition of your understanding. Traditional territory is farmland, provided by the Creator. He provides the beavers, birds, fish and our farmland. That is for us to survive from. That's so you understand that.

Today we are here because of the awakening of Bill 97, sponsored by Gilles Bisson. He is going to be our hero of this Bill 97. He will be well known in generations to come.

My great-great-grandfather signed a treaty with the federal government—and the provincial government was missing from it—John Nakogee, here in Moose Factory,

way back in 1905, in the summertime. In his teachings about the treaty, it says we had signed with the government, with the Queen, that we are going to share this land. We are going to live together with other people, like the white man. In those days there was just only white men that we had seen. As of today, there are white men in front of me, as those in 1905. It is a privilege to be here today with you guys, who remind us of 1905.

Revenue-sharing, from that time to the present, wasn't equal and wasn't fair. I learned that when the Mushkegowuk council—they go for the surface co-operation from Indian Affairs. All the budget that was given to Indian Affairs when they administered our communities—25% of the budget was cut out when it was transferred to Mushkegowuk council, all the revenue budget that was given. There, right away you see there was not an equal but an unequal revenue-sharing. That's the problem. Lucky people went to OSAP and got their doctorate degrees and went through their colleges and universities, because they cannot get money from their band because there's a lack of funding and there are lots of people on the waiting list, 50 to 100 people who want to go to college and university after they finish high school. Continual reminders have been given to Indian Affairs, but there is no hearing toward it to increase the funding for education. Today, out of 630 reserves in Canada, there are only six or seven doctors. That tells you right away how the federal government had treated us, how unfair sharing revenue, how unfair they treat us.

But we benefit in some areas, like health. Some people benefit from their education funding. Myself, for instance, I went to elementary school. It was all provided freely, but it is never free money. It is the wages of our grandfathers who signed the 1905 treaty. My leaders—local, regional and national—had to remind you of the Rupert's Land agreement. They had talked about the 1905 agreement.

This awakening, Bill 97, should be a government-to-government relation. It should have been, but I am the grassroots of this First Nations government. I'm the grassroots; I am not representing any organization. I'm just a part of the Fort Albany band, a community citizen.

Out of that, I had enjoyed some of the sharing that Indian Affairs had provided to us—I enjoyed it, I benefited. But when it comes to education, that's where it failed me. After I completed grade 8, they told me, "There is no more funding. You will be on the waiting list." So I had no alternative but to find myself a job, and that's what I did. An old Scotsman called me if I wanted to work as a gas boy and I ended up owning his business afterwards. For 15 years, I was in business.

Out of that, things that we are doing here that we're talking about, Bill 97, I call it an awakening thing for the provincial government, because in 1905 they were witnesses, and legally they were not involved with this in 1905, but my grandfather thought they were involved. I see it has educated less, as myself.

I want this First Nation revenue-sharing to be understood. The way I define traditional territory, it's our farmland. When other people come to our farmland, it

interrupts the animals that are there, the trees, the environment that is my traditional territory and my farmland. The forestry will cut down the trees. The mining will put a hole in the ground. The goose hunters' companies will interrupt the flying patterns of the Canada geese, ducks and the fowl. The moose hunters will interrupt the moose population in my farmland. The caribou will be interrupted. For all of those things that interfere with my farmland, I think there should be an equal—not a fair, but equal—revenue-sharing.

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For example, the mine that's going to be in Attawapiskat: There should be a separate Attawapiskat First Nation revenue-sharing because that's their territory; that's their traditional ground that is interfered with. The environment will be disturbed: The air, the water and the land will be disturbed. That's what I call an equal revenue-sharing. When we look at that mine, once it's open, it still interferes with the other communities; communities like Cochrane, Moosonee, Fort Albany and Cache are disturbed. Transportation of those things that are required for the mine, that's how it's disturbed. I think there should be a fair share of revenue out of the equal revenue-sharing that the Attawapiskat band is going to get from the government. This is a fair sharing and understanding of the native people.

Before the contact, we, the aboriginal people in the James Bay-Hudson Bay coast, shared our winnings with each other. That's how we survived. That's how my grandfather understood the 1905 treaty: to share the land, to use it equally, to benefit equally. But it didn't happen. One side didn't understand the other side; they didn't really understand each other at that time because the interpreter wasn't fluent in Cree to really understand at that time, in 1905. So there were misunderstandings.

The Indian Act came in to control the native people, to be assimilated. Policies were created by the federal government to start to assimilate the native people through the residential schools. Things rolled and rolled to negatively impact us. Some of my grandchildren have lost their Cree because of that policy, the federal policy to assimilate—to assimilate me into a white man. Some of it was good, but some of it is very bad.

I want it to be understood that revenue-sharing is not only to be limited just to mining, not just to look at hydro; you we also get revenue-sharing from the tourism area, from snowmobile clubs that are interfering with our farmland, from municipalities that are interfering.

In Moosonee, for instance, there has been a brand new municipality. The native people wanted it to be considered as a native community but it didn't work that way. That community is sitting on indigenous land, on native farmland. None of the revenues that are generated from there have ever been shared by them. There's no sharing in the snowmobile clubs that generated revenue from there. Tourism, from 1932, has never been shared. So these are the things that have to be looked at.

The reason I say that is that I know in the south there's a hydro line crossing this farmland. The hydro company entered into an agreement with this farmland and some

sort of revenue-sharing agreement. That farmer never had to work for his life because the hydro line on his land was running through it.

It has been told and retold. Finally, somebody from Ontario legislation sat down with the native people, listened carefully and saw the unfairness under revenue-sharing. He came from the south and looked at the mining revenue-sharing that's been happening through the federal government, provincial government and municipal government. There he saw that when it comes to the native people there's this unfairness, this unequal sharing that's happening. He had heard the cries of this for a long time.

Other parties, like the Liberals and the Conservatives, had heard this and did not understand it. Why does it have to be the New Democratic Party to understand it? Do you know why it took so long, 99 years? Why did it have to be a person born under the name of Gilles Bisson to understand this unfairness? It has been heard. We did blockades on highways like Oka but the unfairness has never been understood.

Today, Bill 97 is an awakening. Today, government-to-government relationships from the First Nation grassroots direct our leaders to tell them that this is what we want. You are government members. We have voted. My great-grandfather didn't have that right. He never voted for an Ontario member. He never voted for a federal government member. He wasn't a Canadian citizen. But my time is totally different from his time because we started to be recognized under the Canadian Constitution and the Charter of Rights that have been established. Today I voted for the person who brought this awakening bill, Bill 97, and I thank him very much for that.

It will create lots of changes once it is finalized at third reading. It will create changes. But what I want from this equal revenue-sharing is that it be given not just to people who live on the reserve of that band but also to the members of that band who are living off reserve and should also benefit from revenue-sharing. Those people are borrowing money from the Ontario government to further their education, because the band that was given money for education funding from the federal government through Indian Affairs hasn't given them the increase that is required. There are lots of people who owe OSAP to this day, and that should not be happening. But, hopefully, revenue-sharing will create a betterment of housing on the reserve and off reserve, of health care on and off reserve, of social services on and off reserve etc. It will create employment, because I'll have access to money to go and get the proper education to become a doctor or even the Prime Minister of Canada, once this happens. I doubt I'll be Prime Minister, but I'm just saying that. It's the reality of what this money can do if it's equally and fairly shared.

1510

I guess that's why you are here today. We'll get to share revenue not just from industry that's now in place and that will be in the future, but from tourism, from snowmobile clubs, mining, factories, forestry and

everything, and give it to the communities equally and fairly distributed.

Who's going to administer this money? The Ontario government will have to collect from them once it becomes law. How are they going to funnel the money? Is the Ontario government going to forward it to the federal government for the federal government to distribute it fairly to the beneficiaries—the bands—and enter into an agreement and understanding of how to use this money with the same agreements that are in place today? How it's going to be done is to be discovered.

That's why it's important to have a native working group and a non-native working group jointly working together. Put this working group in place for the three years that are ahead of us, dialoguing from the grassroots to federal and provincial government leaders. I enjoy reminding you that one head is not good; 10 heads are much better. Some people are more intelligent and some people are less intelligent. There is a variety. They have certain knowledge in different areas. One person is not intelligent in all ways. That's why it's important to have this working group established.

Bill 97 is something new to me. I had never heard of it before; I had never seen it before. It is a strange thing to me, a brand new thing. We always thought that the only people we had to talk to was Indian Affairs. When you talk to Indian Affairs, it goes in one ear and out the other ear. That's what happens.

This bill is to establish a federal and provincial government-to-government relationship with the First Nations in Ontario. There have been other provinces that had a similar act to the one that is going to be created, but Ontarians are different people. Saskatchewan is different, BC is different and the territories are different. Each of the provinces is different. I guess this is why we are here today.

It will create employment, better social services, better education funding, better housing, better roads and ditches, a better water system—better everything that we need and that is not here today. In at least one house there are five families. Two families in that house live in a makeshift tepee. This couple, newlyweds, have one baby and live in a tent beside their father's house because of the scarcity of housing. I didn't have to read any of this. Six or seven doctors in this district of 630 people, a reserve, tells the whole story. It's just like taking a picture that tells thousands of things just by seeing it.

I'd like to thank you for this opportunity to talk to you about what I have on my mind. I'm pleased to be here today.

The Chair: We have time for one question. The past question was deferred, so in rotation it will go to the NDP. Is there a comment?

Ms Marsales: Thank you very much for your presentation with respect to the various issues you're struggling with. We very much appreciate that. With respect to the reference to education and so on, could you explain to me a little bit more about educational—you referenced OSAP loans and so on. Is there a difference

between what a non-aboriginal individual would face relative to aboriginal young people?

Mr Nakogee: People from the reserve who applied for OSAP went to their local education office to get sponsored and were turned away and asked if they wished to be on the waiting list. This waiting list consists of 50 or more people, and that person would be the 51st person who is going to be waiting to be funded and sponsored by their local education authority. The person, who is a band member and didn't live on or wasn't raised on that reserve, is sometimes told, "Sorry, you are not from here, even though you have the same band number as us. So we cannot give you any funding because you never lived on the reserve, you're not from here." So that person ends up having to borrow money from Ontario OSAP, they call it in the short abbreviation.

1520

The difference is, a person who borrows from OSAP has to pay back the money that he borrowed for his education purpose. That's the living expenses and school supplies that he has to pay. But when you look at the treaty, he's supposed to have a free education. He didn't have to suffer borrowing money from the Ontario government. The difference is, for the person who has the band, the federal government has the obligation to provide that funding for that person because it is under the treaty agreement. As for a non-native, it is understood that money borrowed from Ontario OSAP is paid back because he had not entered into any treaty agreement with the federal or provincial government. He is the taxpayer, and when he borrows he goes under an agreement to pay back that money. That's the difference.

The Chair: Thank you very much for your presentation this afternoon. We appreciate it.

ERNEST RICKARD

The Chair: For the committee and members of the audience, we have, as we did yesterday, three people who would like to speak. They will have up to 10 minutes each. The first person I would ask to come forward is Ernest Rickard.

Good afternoon. As I mentioned, you have 10 minutes, and I would simply ask you to state your name for the purposes of our recording Hansard.

Mr Ernest Rickard: Thank you, Chairman. My name is Ernest Rickard. I'm a Moose Cree First Nation member, and I appreciate this opportunity to address the committee.

I too would like to say that I welcome this legislation. It brings the issue to light that we have seriously hoped to gain some revenues from any natural resources. What that means at the end or how it's going to be realized—I think there's more work that needs to be looked at in trying to identify what form of compensation that will be.

I'd just like to, first of all, mention that—I know it has been said many times, but I think we have to always reflect and remember that—we as aboriginal people, the First Nations, have always used our natural resources. In

those natural resources we make reference to the river that sustains the life of the fish that very much provided our diet; also, the lands, the forest where the animals, the moose, the rabbit, the ptarmigan—these, the forest and natural resources, sustained our livelihood. We also must remember that we use these natural resources to provide warmth to our families, to provide shelter. This was done many years ago, and we continue to do that today, but not to the scale where we say it's our livelihood. We no longer spend time in the bush, as we once did, but that doesn't mean that we don't have that tradition. We still practise that tradition, we still recognize those natural resources, and we have brought that forward and identified that within our treaty of 1905, which means we still have the right to hunt, fish and trap. That will remain with us until time immemorial.

I just wanted to share also that my father was a veteran in World War II, and before he went to war, he did some trapping and hunting. Once he completed that war, when it was over, coming back home to the reserve, he was out for five years. He's no longer with us today, but what he did is that with the benefits he received—which were not the full benefits like other Canadians, non-aboriginal people, received—he purchased a tent, a boat and motor, a stove and anything like that that would assist him to go back to his trapline and try to undertake where he used the natural resources. These natural resources have housed, have provided a livelihood from those animals: the fish, the birds, the geese. That was our way of life.

Today, when we talk about natural resources, we too have grown, and now we want to look at those things on a bigger scale. We no longer have the hunt, as we once did. As aboriginal people, we like to sustain our livelihood, whether it's in the community, such as our local utilities, our local infrastructure, to get some financial resources from it, like any other municipality that gets funding to sustain its own communities through the federal or provincial government—I guess in this case the provincial government, whatever formula or legislation may apply to it. So those are the things we have to keep in mind.

I just wanted to bring this issue forward to you. When we started to lose our way of life, we had no alternative but to take social assistance, since the 1965 Canada-Ontario agreement. That social assistance is universal, and it's not a treaty right. It has been causing problems within our communities simply because the cost of living up here in the north is high. The rates, what Mike Harris implemented, certainly didn't help us at all, because he reduced it by 22%, the social program. It really affected us up in the north.

When you also take into consideration Ontario Hydro, recent changes since April 1, 2004, they charge us—and Toronto has also identified this. Imagine us in northern Ontario, up in our communities, where the first 750 kilowatts are 4.5 cents—that's your minimum—and then whatever costs beyond the 750 are at 7.5 cents per kilowatt. That is extremely high. We're talking about the north here; we're not talking about Toronto, and Toronto

is already feeling the problem. Previously it was 4.3 cents. No one even considered this, yet our river has been dammed, Moose River. We also experienced the blackout in Toronto—well, right across northeastern Canada. We experienced that too. The question that we ask is, our dams are so close in our territories, and yet the lights went out in our territory. All of us hoped, in our understanding, that such a thing wouldn't happen.

The point I'm making here is that when we try to look at revenue-sharing and I guess our culture right across the board, it has affected us. Those things have to be addressed at some point, that we have to really take this into consideration, and anything we want to put forward for the governments to look at—in this case this legislation, Bill 97—has to have some meaning, has to somewhat work. A lot of consideration has to be given.

1530

We hope that the idea of revenue-sharing—it's not clearly defined yet. It has to come in some form of financial cost. I think in our communities we like to look at the local infrastructure, how we can offset our own costs, that we can look after the water and sewer lines, all these other utilities that we have to deal with, because the funding we get to date comes more in the form of a grant from Indian Affairs under the contribution financial arrangement. That's in the form of a grant on a per capita basis that has not met our needs. I think anything we have to identify in terms of revenue-sharing, we have to take a look at what it's going to mean for us in the community that would give us the comfort and the life we need to sustain within our communities, a comfort zone. Hopefully those things can be further defined in how we need to look at it.

When you talk about your Bill 97 here, the arbitrator, I'm not certain what that role will be. I think it may have to be clearer if it's going to mean something to First Nations, what its terms of reference would be, what type of legislation will be there for this person to deal with this. When you talk about the revenue-sharing agreement—if concluded, we'll say—what role will the Speaker of the Legislative Assembly have? It is not clear, I guess is what I'm saying. I'm not a lawyer by any means, you know; I'm just an average member of my community here, trying to understand this. If it's not clear to me, how clear will it be to any other person? I certainly hope these are better defined.

When we say "First Nation," there doesn't seem to be any clear definition, except the fact that we aboriginal people are calling ourselves First Nation. That could change, because in Cree we are Innu. We are Innu, the Cree. That's how we are as people. The federal government might have a different interpretation under the Indian Act. That can change too because of the self-government negotiations that people are having. This may have an effect in Ontario. Also, we don't know what the interpretation will be at the end of the day with the province of Ontario in terms of its aboriginal policy. This has to be clearly defined, in my opinion.

When we say "traditional lands," the federal government always makes reference, even within the treaty; for

example, Treaty 9. Historically too the aboriginal people still identify their own traditional lands. That has to be understood as the discussion moves forward in talking about revenue-sharing.

This legislation is only a two-pager. This can be a very enormous issue and undertaking when we start talking about multi-million dollar corporations and the federal government, how it's going to play with this whole concept of revenue-sharing in light of its fiduciary responsibility.

Again, in terms of welcoming this legislation, this certainly opens the door and has brought this forum that we are able to address forward to us. I think we appreciate it. I certainly do, anyway.

Like I said, we the aboriginal people have used our natural resources, maybe not on the scale of how those interpretations are today, but how those resources were used back then had sustained our social, economic, cultural and spiritual way of life. That hasn't changed where we are today, but it's going to be in a different format, as you see in this community, the way we are trying to sustain our livelihood and have those resources today from a different perspective. What I'm saying is that any monetary value to those resources today—we need to be able to sustain and provide a life of comfort for our future children and our children today, in the fields of employment, training and economic development and to finance our own local institutions in terms of trying to support our needs.

I just want to say too, but not to—I guess for lack of a better term, I don't want to sound prejudiced or anything like that. But when you look at Cochrane on Highway 11 west, and you see communities like Hearst, Kapuskasing, maybe even as far as Thunder Bay, you see trucks hauling lumber, hauling wood. One can believe and one can draw conclusions that this harvesting of lumber and the forest sustains those communities, and any mining that may be happening in those areas. So they benefit from those natural resources; they benefit to maintain their community. I think what I'm saying here—it's not prejudiced—is that if we First Nations also would have that opportunity to offset some of our costs by having the use of our natural resources to that extent, we would certainly have a better lifestyle, with comfort, and even probably bring in McDonald's, like Kapuskasing and Hearst have. That's just a comment I'd make.

I guess the point I'm making is that the natural resources today, in terms of revenue-sharing, are important. It's an important issue. I hope that consideration for the benefit of our First Nation would be positive at the end of the day in this legislation.

The Chair: You're almost at 14 minutes now, so I'm going to say that we appreciate your comments to the committee. Thank you very much.

Mr Ernest Rickard: I appreciate it. Thank you.

RICK CHEECHOO

The Chair: Our next presenter is Rick Cheechoo. Come forward, please.

Mr Colle: On a point of order, Mr Chairman: If anyone wants to have a sausage or some bread, they're available on the table. Help yourself.

The Chair: That's an important point of order for some.

Sir, you have 10 minutes for your presentation. I would simply ask that you give your name for our recording.

Mr Rick Cheechoo: Thank you for the time that's been allowed for me to speak. My name is Rick Cheechoo. I am a Moose Cree First Nation band member. I am also elected as a band councillor.

I, like many others, am supportive of this Bill 97, but I hope that it doesn't interfere with or hamper any of the existing benefits that we have from the treaties.

1540

I also believe that our entitlement to the land should be demonstrated in our way of life, our livelihood, our living conditions, because entitlement to that land, which a greater part of Ontario is on, is rightfully ours. We should be treated as a nation, the Cree nation. I believe that we are different from other people, from different-coloured people. We are different. Our language is different. We have different interpretations of what we see, what we hear. The grass, the trees, the rocks and the animals mean something that non-native people don't know. We interpret what we see and hear differently, and it's proven.

I'm not going to say anything about the nasty history, when settlement started to occur from overseas, but I wanted to mention the type of scenario I can think of that you might be able to understand. Take your house, your backyard, and the government issuing a permit to somebody you don't know to come and erect a building right in your yard. That's the type of impact, the style of provincial government practices; that's how it affects us. The MNR issues building permits, staking rights to companies and individuals who'll come and do this sort of activity right in our—we call it our homeland. I believe that First Nations have the authority to authorize any activity on our homeland, such as staking claims and building permits.

The three-year process is going to be a long one; therefore I think it shouldn't hamper or hinder any of the existing things that do happen presently.

One of the questions I had about Bill 97 is—I don't know who would like to answer it—are there any thoughts or suggestions about revenue-sharing for existing developments that have already occurred? Are there any thoughts or suggestions? What do you see coming out of the hydro dam or any of the logging that has happened in this area, or is there a chance we're even going to touch that? Or is that dollar amount too enormous?

The Chair: Mr Bisson, and then this will be the final comment.

Mr Bisson: As the author of the bill, what we are looking at and what will happen may be broadened in scope. I think that's what we're trying to wrestle with here.

Originally, Rick, we looked at sharing the revenue that the province now collects from existing and future projects that are basically north of the French River. That means hydro dams, dumping, all that kind of stuff. But we were talking about the provincial share that the province already collects and any project that would normally have to pay municipal taxes but is not in a municipality.

What's becoming clear to us as we listen to this—and the committee has not had a chance to discuss this, so it's a hard question to answer. Do we go any further? Do we go beyond that? We're not quite clear. What's really clear is that we're hearing that injustices have happened over the years and we need to address those. I think we're all unanimous on that.

What we need to do is develop a process that's driven on a government-to-government relationship to deal with the issue of revenue-sharing on existing and future projects, but maybe expanding it to deal with issues you've raised, such as land use planning. How should we make sure, when giving permits for mining and forestry and prospecting and all that, that they're consistent with the values of the Mushkegowuk Cree and other First Nations, and give you a role in that? I'm not clear on where we're going with that yet, but we're hearing that as a recurring theme. I hope that answers your question.

The Chair: The time has expired. We thank you for your presentation—

Interjection.

The Chair: Oh, we have a question.

Mr Colle: Yes, Mr Cheechoo, I see you raised a very intriguing question.

Right now we have a resource called Highway 407, which is a toll highway north of Toronto, whose contract the government now is trying to revisit because the government feels that it's an unfair contract. The revenue from that highway is going to Spain rather than staying with the taxpayers here in Toronto or the people who pay the toll. So the government right now is in court trying to find ways of renegotiating parts of that contract, and it is extremely difficult.

So far, the courts have even blocked the government from changing any terms of that contract or getting extra revenues or more revenues from that contract. So it's an extremely complex and difficult issue, trying to go back and recoup some revenues which you felt were unjustifiably taken from you. So we're experiencing that right now with Highway 407.

The Chair: Thank you again for your presentation this afternoon.

Mr Cheechoo: Thanks, Mr Chair.

JAMES SUTHERLAND

The Chair: Now I would call on James Sutherland to come forward, please. Good afternoon.

Mr James Sutherland: Good afternoon. Thank you for allowing me to speak.

The Chair: If you'll just state your name for the recording, and then we'll be all set.

Mr Sutherland: My name is James Sutherland. I'm a member of the Moose Cree First Nation.

I've been listening to this prospector who was here this morning, and I can imagine that the words "revenue-sharing" are scary. When you say "revenue," you're thinking of dollar amounts, like money, to be handed over to somebody. So I was just thinking to myself—I used to fly helicopters for a living and I know a lot of prospectors and geologists. I've worked with Cominco, Noranda mines and Lupin up in the Northwest Territories. So I know what economic development in the exploration site does to the land, how much damage it can do to the land and animals. I've seen drillers spill hydraulic fluid when they're drilling. I've seen Caterpillars wasted, drums of fuel all over the land.

1550

When we talk about economic development, we're not necessarily talking about just revenue-sharing but what the mining companies leave behind. That's the part that I'm a little concerned about. I have four children and eight grandchildren. If the way exploration companies harm the land they get their revenues from continues, it's just not going to work. It trickles down from the person who discovers, say, gold, copper or zinc, or from a hydroelectric project, to everybody who's involved, like the prospector. He doesn't want to give out. I can see that. I had an inkling that he was against Bill 97 because he has to share his money with others: the government, the native people. There's got to be some kind of model of how we are going to handle revenue-sharing. Are you talking about dollar amounts? There are other ways. Benefits would be better for the native people in a way. I know that development brings benefits: maybe new roads or new schools. It doesn't necessarily have to be money. That's one thing I want to touch upon.

The other thing is the James Bay Treaty, and that's where we have to start, right from the treaty. I'll just read an example. I don't know if you have read this. It tells you right here, "Increasing settlement, activity in mining and railway construction in that large section of the province of Ontario north of the height of land and south of the Albany river," which is what we're talking about right now, "rendered it advisable to extinguish the Indian title." Remember the word "extinguish." Let's not extinguish Bill 97; let's work on it.

There's another section that says what the native people on one of the reserves are going through economically and socially, whom we put aside on land that is not—there's no agriculture on it. It says, "As the band could not hope to depend upon agriculture as a means of subsistence ... hunting and fishing, in which occupations

they were not to be interfered with, should for very many years prove lucrative sources of revenue." We no longer have trapping; we can't live on trapping. So in my opinion we have to welcome development up here. Most mines will last for 30 years. Figure it out: A young guy who's educated makes \$30,000 a year. That's \$900,000 in 30 years. That's a lot of money.

I'd like to read this. This is from the government. You guys are from the government, eh, provincial or federal? I want to read this: "Throughout all the negotiations," like we're having right now, "we carefully guarded against making any promises over and above those written in the treaty which might afterwards cause embarrassment to the governments concerned." You guys have to be cautious with Bill 97, or it might turn out to be an embarrassment to the corporations, to the people who work in the mining industry. Also, when you're sitting here—and I'm looking at you people—it goes back to 99 years ago: "It was gratifying throughout to be met by these Indians"—these people who are sitting back here, but this is the present—"with such a show of cordiality and trust...." So we trust that you guys will work with the developers and with the First Nations.

I just point out that it took 99 years and you still haven't settled our treaty and the obligations you committed to. We're always fighting against the government.

There's another one here. These are just reminders of what we face with the government or any developer: "And further, that no site suitable for the development of waterpower exceeding 500 horsepower shall be included within the boundaries of any reserve."

Why would they put us away from dams where we could have our own hydroelectricity? There have got to be some open forums of dialogue with the First Nations, based on this treaty that the government signed 99 years ago. If you don't go by our treaty, then this gathering, this information, is useless.

It was mentioned here about how education involves people. There was a councillor in 1905 who mentioned that it would be nice to have native people educated. If we weren't educated, we wouldn't be sitting here talking to you.

So treaty rights are, by far, the most important thing we have to base on, the grassroots for Bill 97 to come through. Work on it and live up to the obligations you signed back in 1905 with our ancestors.

The Chair: Thank you very much for your presentation. That concludes the hearings here in Moose Factory. This committee is adjourned.

The committee adjourned at 1557.

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Mr John O'Toole (Durham PC)

Mr Michael Prue (Beaches-East York / Beaches-York-Est ND)

Mr John Wilkinson (Perth-Middlesex L)

Substitutions / Membres remplaçants

Mr Norm Miller (Parry Sound-Muskoka PC)

Mr David Zimmer (Willowdale L)

Also taking part / Autres participants et participantes

Mr Gilles Bisson (Timmins-James Bay / Timmins-Baie James ND)

Clerk / Greffier

Mr Trevor Day

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Research and Information Services



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Mardi 23 novembre 2004

Standing committee on finance and economic affairs

Electricity
Restructuring Act, 2004

Comité permanent des finances et des affaires économiques

Loi de 2004 sur la restructuration
du secteur de l'électricité



Chair: Pat Hoy
Clerk: Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Tuesday 23 November 2004

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mardi 23 novembre 2004

*The committee met at 1536 in room 151.*ELECTRICITY
RESTRUCTURING ACT, 2004LOI DE 2004 SUR LA RESTRUCTURATION
DU SECTEUR DE L'ÉLECTRICITÉ

Consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts / Projet de loi 100, Loi modifiant la Loi de 1998 sur l'électricité, la Loi de 1998 sur la Commission de l'énergie de l'Ontario et apportant des modifications corrélatives à d'autres lois.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order.

We are here today for clause-by-clause consideration of Bill 100, An Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts. Are there comments, questions or amendments to any section of the bill? If so, which section?

Mr John O'Toole (Durham): I appreciate the opportunity to make a couple of minutes of opening remarks, if I may. I'm doing this in the context of those who are interested in the issues and the long-term effect on the province, but also in the broader context. This is a time-allocated exercise. As such, it's really quite undemocratic in the respect that there is much more consultation required. I believe there are three fundamental issues that have yet to receive full and complete understanding by the public and all of the sectors involved, the generators, the transmitters and the distributors in Ontario, as well as the consumers. In the three issues that I see, there's still some uncertainty and lack of clarity with the role and function of the additional layers of bureaucracy, ultimately who pays and how that gets paid for.

The adequacy of supply is still a very pressing issue on some of the threats that have been introduced by the very short-sighted commitment to the ultimate coal solution by 2007. It's not the issue of coal; it's the issue of the timing of coal and the threat to adequacy of supply, certainly the uncertainty and lack of clarity in the area of consumers and the implications for consumers, whether they're small business or retired people on fixed incomes. When I look in my own riding at the impact on the schools and hospitals, for instance, in just one area, the

Lakeridge Health Corp has advised me that this would cost them \$400,000 in additional expenses on operating budgets that will take money from health care. There are no clear outcomes of this, except that there's going to be a shortage of supply and increased prices.

It's in that context that I'm trying to be brief. We have moved a number of amendments that we think are productive. We've tried to move amendments in the area of successor rights for workers under Ontario Power Generation and workers in plants who have made a valid contribution to the economy of Ontario as we enjoy it today and see some threat and uncertainty in their jobs and in the supply discussion that I've mentioned before.

But I'm certain we'll see the government hastily force these amendments on us. In all humility, I ask for their patience and indulgence, for some of our amendments are meant with the best of intentions. We're not completely opposed to the intention of addressing the issues: supply adequacy and some of the options on alternative or renewable fuels.

I could go on at some length. I've tried not to be overtly political about it. I know there's some urgency here. Because you've delayed this thing, you need to get the RFPs out there. I understand that. You need to set up the OPA and the other authorities in their roles. I see there are some amendments here where you're giving the minister even more power than he already has in Bill 100.

With that, I'll conclude my remarks. We have tabled our amendments in the very limited time that was allowed to us for a thorough examination of a very technical topic, energy.

Mr Michael Prue (Beaches-East York): I have a couple of comments. First of all, as has just been stated, this bill has been time-allocated in committee, so we're going to have to deal with some 80 amendments in a very short period of time. I don't believe it's physically possible. If we were even to just vote on them without discussing them, it would be impossible to do that, and I think that's kind of sad.

There's considerable public interest in these amendments and in the bill itself, as witnessed by the number of people who are here in the room. I think a great many of them are from the Ontario Society of Professional Engineers and will be impacted by this bill and by the amendments that are purported to be made.

I would like to draw to members' attention that it has been pointed out to me for the first time today, when I

found out an hour or so ago that I would be attending this particular committee meeting, that there were a couple of comments—they're here, so I'm not going to deny them, but they were prepared by a researcher, Mr Fred Gloger, who unfortunately is now deceased. Many of you may have known him. He prepared these amendments with some comments that were intended, I think, for Mr Hampton. They are contained here in numbers 60 and 61. I ask members of the committee to ignore them, understand why they were made or embrace them, but there they are.

Mrs Donna H. Cansfield (Etobicoke Centre): I'm pleased to be able to make some opening comments as well. I'd like to share the concern that was identified by Mr O'Toole because I too, like many others who are part of the committee, would have wished to be able to have more extensive public hearings. Unfortunately, the other two parties wouldn't agree to it and actually reduced the number of days significantly where we could go right across this province. That really is rather unfortunate.

Having said that, since the introduction of this bill—we're now going to have the second opportunity to discuss it in terms of its amendments—I've been absolutely overwhelmed by the support, both publicly for the appetite of this bill in terms of new supply, on the renewable and the demand side, which is a first in Ontario, and also looking at the expressions of interest. I mean, 60,000 megawatts of new interest is certainly nothing to be sneezed at on the demand and new supply mixed side.

Having said that, I look forward to the rationale behind some of these amendments. I noticed that a significant number of the amendments were put forward before, so I'm presuming we do not have to redebate them.

The Chair: Comments? Hearing none, it's my understanding that we will move to schedule A, amendments to the Electricity Act, 1998, and that any amendments here could have an effect on prior pages.

We have at least one amendment submitted: page 1. The amendments are numbered in the top right corner, I believe, in everybody's package. We'll use those numbers as much as possible. We need a mover.

Mr O'Toole: I move that clause 1(a) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be renumbered as clause (a.1) and that the following clause be added:

“(a) to facilitate competition in the generation and sale of electricity.”

The intent of this is to underscore or restate the importance of having genuine competition in the generation that the government is proposing to go forward with.

The Chair: Comment?

Mrs Cansfield: Actually, we're quite happy, having already added the concept of sustainability and safety in the bill. We really do view competition as a means, not an end. So I would not be supporting this amendment.

Mr Prue: If I could just state, we will not be supporting this as well, for obvious reasons.

The Chair: Are members ready to vote? All in favour? Opposed? The motion is defeated.

Do we have a mover for number 2?

Mr O'Toole: I move that clause 1(b) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be amended by striking out “to encourage” and substituting “to promote”.

With your indulgence on that: With the issue of conservation, we believe there should be more done to encourage and incent conservation, and promoting it with our retail sales tax rebate on Energy Star appliances and things like that was a way to complement the conservation strategy, which we endorse. You're using “encourage,” which is a softer word. Really, there's a very subtle difference in “promote,” which means there would be policies that would promote conservation other than just a smart meter that you plug in at home and pay for every day.

The Chair: Comment?

Mrs Cansfield: The position is that we hope all Ontarians will participate in the conservation initiatives, and that's why we use the word “encourage.” It's not necessarily a promotion of a particular initiative, but really encouraging all Ontarians to change their behaviour and become part of a conservation culture in the province.

The Chair: Are members ready to vote? All in favour? Opposed? The motion is lost.

Mr Prue: Number 3?

The Chair: Yes, Mr Prue.

Mr O'Toole: There's a difference here. I have a number 3 and I believe we tabled this one. I'm not sure if it's in the package. It was in my initial review. It was dealing with clause (f).

The Chair: Number 3 is an NDP motion.

Mr O'Toole: I see that, but I also have my own bundle.

Mr Prue: I'll do the one I have in front of me, which is number 3.

I move that clauses 1(b) and (d) of the Electricity Act, 1998, as made by section 1 of schedule A to the bill, be struck out and the following substituted:

“(b) to promote the following in the following order of priority, and in a manner consistent with the policies of the government of Ontario,

“(i) energy conservation, efficiency and load management;

“(ii) the use of renewable energy resources;

“(iii) the use of clean energy resources;”

As the comment below says quite well, the purpose of that is the promotion of conservation and renewables, and that this has priority over other ways of meeting Ontario's energy needs. Certainly it is the most cost-efficient method whereby we can make use of dwindling resources.

The Chair: Comment?

Mrs Cansfield: We've already made amendments to this particular purposes section in that we've identified the issue of safety, as I indicated, sustainability, reliability, conservation and cleaner energy sources. It is part of our plan that the minister holds the ultimate responsibility and authority to set the end targets for conservation

and for renewables, and this would in fact change that. Therefore we will not be supporting it.

The Chair: All in favour? Opposed? The motion is lost.

Number 4, a PC motion.

Mr O'Toole: Pardon my being out of sequence last time.

I move that clause 1(f) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill be struck out and the following substituted:

"(f) to protect the interests of consumers with respect to prices and the adequacy, reliability, safety and quality of electricity service;"

I might say in response—Mrs Cansfield probably has this all scripted for her—that we did try to move a number of these amendments in the earlier deliberations on Bill 100 and these were, I believe respectfully, trumped in their preamble to the purposes clause of the act in section A. They did add the word "safety," which I do respectfully acknowledge.

This, for me, is a reference to the rather hasty method of drafting the legislation—very, very important legislation—where we can presume things. But this is just an added stress to the feature of safety and adequacy in price, which we mentioned in our introductory remarks or comments. I would ask for your support, as it doesn't cost a thing to stress safety.

1550

The Chair: Comment?

Mrs Cansfield: Well, unscripted, safety is in the purposes, and I think this would be redundant. It's already identified as part of the bill.

The Chair: Ready to vote? All in favour? Opposed? The motion is lost.

Number 5 is a PC motion.

Mr O'Toole: I move that clause 1(g) of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be struck out and the following substituted:

"(g) to promote investment and economic efficiency in the generation, transmission, distribution and sale of electricity;"

Our goal here, obviously, not unlike the current government, is to encourage private sector investment. Certainly that's the signal for the renewable sector, not specifically but in a general sense, which means providing economic efficiencies. I hope you would stress that part in the particular section we're amending.

The Chair: Comment?

Mrs Cansfield: It's already identified in the objects of the OPA that they have the responsibility for conducting and planning independently for electricity generation, demand-side management and, as you know, the conservation bureau. Again, this has already been addressed in the act. We're looking already at the adequacy and reliability that the act identifies, and we do not see a need for this word to be inserted.

The Chair: Is the committee ready to vote? All in favour? Opposed? The motion is lost.

Page 6, a PC motion.

Mr O'Toole: I move that section 1 of the Electricity Act, 1998, as set out in section 1 of schedule A to the bill, be amended by striking out "and" at the end of clause (i) and by adding the following clauses:

"(k) to provide a balance between the need for a stable and reliable electricity sector and the protection of public health and the environment; and

"(l) to develop an energy system based upon hydrogen and electricity as the principal energy currencies as an immediate policy objective by the government of Ontario."

I think that amendment is clear. It's providing some statement in the principles of this bill for the issue of hydrogen. It will, in the future, provide or play a very important role.

The Chair: Comment?

Mrs Cansfield: Hydrogen is a fuel source for cars. This is an electricity act. So I guess there would be no reason for it as a principal currency. It may hold some future discussion in another initiative.

Certainly, the first amendment, (k), had already been put forward before, and (l) just doesn't seem to make any sense, in particular, in this bill.

The Chair: Are members ready to vote? All in favour? Opposed? The motion is lost.

NDP motion, page 7.

Mr Prue: I move that section 1 of the Electricity Act, 1998, as made by section 1 of schedule A to the bill, be amended by striking out "and" after clause (i) and by adding the following clauses:

"(k) to protect public safety and the environment, and to protect economic and environmental sustainability in the generation, transmission and distribution of electricity;

"(l) to ensure the access of low-income consumers to the electricity supply and conservation programs; and

"(m) to ensure that low-income consumers are fully protected from higher electricity bills;"

Primarily, these sections are to ensure that the consumer continues to be protected in the energy regime in Ontario.

The Chair: Comments?

Mrs Cansfield: This legislation actually doesn't identify low-income earners, but as I had indicated before when this was put forward, in fact the ministry is working with the Canadian Environmental Law Association and the support housing associations on developing initiatives around identified low income. We went through this before and feel that it's not part of the legislation, but it is being addressed by the various ministries that are involved with low-income folks. We recognize that it's an initiative that needs to be identified, and I had indicated that before.

Mr O'Toole: I'll be supporting this. There's an ongoing uncertainty which we mentioned in our opening statement, and that was that this is unlike any other commodity. It's not like cable television service where you can decide to drop some channels to lower your bill. Technically, it's a product you need for the standard of

living we all enjoy. That's been the tradition since Sir Adam Beck.

Price is a very important part of why we, when we were in government, moved rather inappropriately perhaps away from a competitive marketplace. We fell victim to rising, very volatile prices, which I'm sure you will face as well. As natural gas prices are part of your short- or medium-term solution, you'll find that you will have a bump in the road, seriously, when prices do get out of control and demand exceeds supply.

Ms Laurie Scott from Victoria-Haliburton-Brock today brought two very real stories to the debate. She talked about persons on a fixed income. These are just regular Ontarians who are retired persons. There's about 60 cents per person in any scheme that you have to support those who could have their electricity shut off. They could be cold, perhaps their food would spoil or their ventilator might be shut off. So this is a very important issue. I hope that you, in your words, will strengthen across all the ministries, whether it's housing or social services, for those vulnerable people. I'll be supporting this and I'd look forward to your support for this particular amendment as well.

Mrs Cansfield: Just in comment, this is an enabling piece of legislation, and there's no question that there's no one in the caucus who is not aware of the situation vis-à-vis low income, but it's not part of this legislation, nor is the definition. That is not to say, however, that initiatives are not underway addressing this issue. There's been an emergency fund that has been set aside. There have been discussions undertaken with social housing. We have participated and are participating in two major pilots across Ontario dealing, as I say, with the Canadian Environmental Law Association and also with social housing, so we know that this is an area where we will put our attention even more so than we have in the past.

The Chair: Are the members ready to vote? All in favour? Opposed? Motion is lost.

NDP motion, page 8.

Mr Prue: I move that section 1 of the Electricity Act, 1998, as made by section 1 of schedule A to the bill, be amended by striking out "and" after clause (i) and by adding the following clauses:

"(k) to ensure that Ontario is self-sufficient in electricity supply; and

"(l) to preserve the public ownership of the electricity system assets owned by the government of Ontario for future generations."

We continue to stress that public ownership of existing electricity assets is the most important thing that this or any bill or any government can do in Ontario related to electricity supply.

The Chair: Comments?

Mrs Cansfield: Chair, I reiterate again, Bill 100 is not about selling off assets, it's about an enabling piece of legislation to move forward to develop a comprehensive strategy for the electricity sector in this province.

1600

The Chair: Are the members ready to vote? All in favour? Opposed? Motion is lost.

Shall schedule A, section 1 carry?

Mr O'Toole: Could I have a recorded vote on this?

The Chair: A recorded vote has been requested.

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Schedule A, section 1, carries.

Now we move to PC motion 9.

Mr Toby Barrett (Haldimand-Norfolk-Brant): I move that the definition of "alternative energy source" in subsection 2(1) of the Electricity Act, 1998, as set out in subsection 2(1) of schedule A to the bill, be struck out and the following substituted:

"'alternative energy source' means a source of energy,

"(a) that is prescribed by the regulations or that satisfies criteria prescribed by the regulations that can be used to generate electricity through a process that is cleaner than certain other generation technologies in use in Ontario before June 1, 2004, or

"(b) that uses clean coal technologies that meet criteria set out in the regulations;"

We feel there must be some basic guidelines in the act that prescribe what alternative energy sources are. Renewable energy resources are already covered under a separate definition, as our parliamentary assistant has indicated. This is enabling legislation. We feel that leaving the entire definition to the discretion of regulation makes all of the public input received on alternative energy meaningless.

With respect to clean coal, the opposition feels that the concept of clean coal is being ignored by this government. Again, I point out that the government's own task force, the Electricity Conservation and Supply Task Force, recommended, "The government should quickly develop generation, transmission and conservation alternatives, including clean coal technologies."

In the recent US federal election, both candidates, John Kerry and George W. Bush, included the concept of clean coal as planks in their energy platforms, Mr Bush calling for a \$2-billion investment in clean coal—

Interjection.

Mr Barrett: I know there was a bit of a snicker across the way. Maybe we have Kerry supporters across the way.

John Kerry, in his platform, was planning for a \$10-billion expenditure into research and implementation of clean coal technology. I just put this forward. With these kinds of numbers being thrown around, it begs the question: What do they know that this present Ontario government doesn't know?

The Chair: Further comments?

Mrs Cansfield: Currently, there are no commercial technologies available for clean coal that deal with CO₂ emissions, mercury or any other toxic substance that goes into our air. There is no question that we are committed to replacing the coal-fired plants to improve the quality of air in this province.

Maybe in the future something might occur, but I can tell you that the person who is the head of probably the largest coal mining company in the world has indicated exactly the same thing. You can deal with some of the SO_x and some of the NO_x, but you can't deal with CO₂, toxic emissions or mercury. That technology is not available at this time.

The Chair: Mr Prue had indicated that he wanted to comment.

Mr Prue: If I could just state—sorry my hand wasn't up fast enough—that the technology simply is not there. Mrs Cansfield is right. It causes the earth no harm to leave the coal in the ground. And someday, when I'm an old man, if somebody can come along and fix it all up, we will still have an energy source.

The Chair: Comments?

Mr O'Toole: This is probably a pivotal point of disagreement that certainly needs a broader discussion. It's one more example where jurisdictions around the world haven't completely abandoned the clean coal option. You're right to the extent that CO₂ is not retrievable or manageable at this time in any combustion activity at all. Really, it's the problem; in fact, it's the problem beyond just the generation of electricity. The biggest polluter in Ontario—and it's a report issued by the Ministry of the Environment—is actually the combustion engine. It contributes about 60% of the issues that we're dealing with. I honestly feel that what you should do—

Interjection.

Mr O'Toole: Yes, and I say that understanding the implications to my riding. All we're saying is that it should be compared to all other forms of generation. It doesn't mean you have to abandon the plan or the principle or whatever. We had roughly a similar plan, just a longer time frame, with the technologies. There is a paper out that indicates there is some management of the mercury issue. Also, most of the particulate matter and the CO₂ cannot be managed.

I don't want to go on, except to say that in replacement energy, in the event of demand peaking, coal has served the province well. In fact, it will probably continue to serve us in the future, only we'll be buying it from the US.

With our air patterns, the movement, we'll likely end up bringing in Ohio coal through buying power from the grid and that will, through the airshed, drift over Ontario and right across. If you look in Sarnia, in places like that, most of the US-related cross-border pollution will still be there.

We need to examine the technologies, keep abreast of them, make better use of the capital that already exists over the next generation by looking at the clean coal option in some of the applications. The big war is going

to be at the Nanticoke plant. That's where the biggest war is going to be. There are a lot of workers. It's an important connection to the grid. There's no gas line to the location so you can't convert it to gas. Then I look at Atikokan and Thunder Bay; there are local economy issues in those locations.

I think it's short-sighted. You need to make sure that the high concentration of people—in those areas, we do our very best in the short term. We had already committed to the Lakeview closure in 2005. Elizabeth Witmer did that. We recognize it's the volatility of gas. Coal plants are peaking plants. They're not baseload plants. In fact, even in augmenting low hydro projects, you should still not completely remove it at this point. We should be aiming in that direction in the future while keeping an eye on technology.

It's an important debate. I think it's a mistake. Most of the experts from the generation-conservation-supply task force and others indicated you should keep your eye on the ball on this topic.

Mrs Cansfield: Chair, if I may, the debate here isn't about supply. The debate is whether or not coal is clean. The fact of the matter remains, there's no technology commercially available to make coal clean. That's the debate in terms of the amendment that's put forward. That's why we will not be supporting the amendment.

The Chair: Are members ready to vote?

Mr O'Toole: Mr Barrett is very familiar with the issue, and he's presented with some energy his concerns at the Nanticoke plant, as he should, as any good constituency MPP should while keeping his eye on the broader economic and quality-of-life issues.

We need to have energy to maintain our quality of life. You may not want to run them, but just to say those assets are without value—the consumers of Ontario are going to pay for it. You take those assets off the books and all the employees are out of work. Those are important considerations for the province, for the community and for the employees who work in those industries.

You're right. I think the CO₂ should be compared on an equal basis of comparative analysis with other fossil sources. There are just as many issues around gas and the rest of the fossil-based fuel sources.

Mr Barrett: Just to add to that, much of our deliberation on Bill 100 is about supply. Part of the purpose of Bill 100 is supply, and for the record I wish to quote the purposes of Bill 100, which I feel run counter to this government's blind rush to snuff out coal. This includes the bill's direction "to ensure the adequacy, safety, sustainability and reliability of electricity supply." That's quoting from the direction as written in the legislation, and "to protect the interests of consumers with respect to prices." Again, price is related to supply. There's no question about that.

1610

The Chair: Is the committee ready to vote? All in favour? Those opposed? The motion is lost.

PC motion 10.

Mr O'Toole: I move that subsection 2(3) of schedule A to the bill, amending subsection 2(1) of the Electricity Act, 1998, be amended by adding the following definition:

- “demand side management’ includes,
- “(a) energy efficiency;
- “(b) behavioural and operational changes, including the application of benchmarking or smart control systems;
- “(c) load management measures which facilitate interruptible and dispatchable loads, dual fuel applications, thermal storage and demand response;
- “(d) measures to encourage fuel switching, which reduces the total system energy for a given end use;
- “(e) programs and initiatives targeted to low-income and other hard-to-reach consumers; and
- “(f) distributed energy options behind a customer’s meter, such as tri-generation, cogeneration, ground-source heat pumps, solar, wind and biomass systems;”

I move that amendment.

The Chair: Comment?

Mr O'Toole: Actually, it provides a better, more comprehensive definition to the demand-side management discussion in subsection 2(3) of the bill. I think it shows just how technical this area is. When you talk about demand management and you look at the blackout of some years ago, the response to that was really by the large consumers. The large consumers were the ones that allowed the grid to stabilize and new electrons to start moving through the transmission system. There was very little response at the residential side, and, in fact, some of these features, like load management and dispatchable load, as well as switching fuels, are important solutions for the future.

I think it's a more comprehensive definition, and it doesn't really cost too much money to have a better description than the current act provides.

The Chair: Comment? Hearing none, all in favour? Those opposed? The motion is lost.

PC motion 11. Mr O'Toole, will you move—

Mr O'Toole: Sure. Which one is it? Pardon me, I've got so much paper here. I'll refer to the clerk. I've got 12; I'm missing 11.

The Clerk of the Committee (Mr Trevor Day): Page 11 is also an amendment to subsection 2(10).

Mr O'Toole: I'm going to have to clarify with the clerk if I have the right amendment here. Mine isn't numbered, that's why.

I'll move it. Thank you for your clerical support here.

I move that the definition of “renewable energy source” in subsection 2(1) of the Electricity Act, 1998, as set out in subsection 2(10) of schedule A to the bill, be struck out and the following substituted:

“renewable energy source’ means an energy source that is certified with the ‘EcoLogo’ standard of Environment Canada; (‘source d’énergie renouvelable’)”

That's self-explanatory. There is a standard today that's federally recognized: the EcoLogo standard of Environment Canada. Since there are a lot of interjuris-

dictional issues on energy, I think we should be working to a common standard, and that standard should be as high, clear and understandable as possible. It's branding that I'm talking about here. This isn't in any way a political statement; it's just about having common, consistent standards across interjurisdictional issues, whether it's from Manitoba, BC or the United States.

The Chair: Comment?

Mrs Cansfield: I don't disagree that there should be an explanation or a standard, if you like, but I do feel very strongly that it should not be an Environment Canada standard but an Ontario standard that's developed within Ontario.

The Chair: Is the committee ready to vote? All in favour? Opposed? The motion is lost.

PC motion 12.

Mr O'Toole: I move that the definition of “renewable energy source” in subsection 2(1) of the Electricity Act, 1998, as set out in subsection 2(10) of schedule A to the bill, be struck out and the following substituted:

“renewable energy source” means an energy source that is renewed by natural processes and includes wind, water, a biomass resource or product, solar energy, geothermal energy, hydrogen fuel, tidal forces and such other energy sources as may be prescribed by the regulations, but only if the energy source satisfies such criteria as may be prescribed by the regulations for that energy source....”

Again, the intent here is to have a much more comprehensive definition of “renewable.” Right now, we're kind of in the dark. Perhaps the parliamentary assistant can give us some clarification on alternative energy sources. Do they have a broader, more understandable definition, or is it all going to be done in regulations behind closed doors?

The Chair: Comment?

Mrs Cansfield: As you know, those regulations are posted for all to view on the site, so it's not behind closed doors.

Secondly, I'm still confused about hydrogen fuel and tidal sources, of which we don't have many.

Having said that, there's nothing in this bill—it's an enabling piece of legislation. And you're right, it can be prescribed by regulation. As you know, those regulations are posted for all to see.

The Chair: Is the committee ready to vote? All in favour? Opposed? The motion is lost.

Shall schedule A, section 2 carry? All in favour? Opposed? It's carried.

We now move to PC motion 13.

Mr Barrett: I don't have that page numbering system. Is that section 2.1?

The Chair: Yes.

Mr Barrett: I move that section 3.1 of the Electricity Act, 1998, as set out in section 2.1 of schedule A to the bill, be amended adding the following subsection:

“Same, Transition from coal

“(1.1) The Minister shall establish a multi-stakeholder advisory committee to make recommendations on re-

sponsible transition away from how Ontario currently uses coal for electricity generation and on alternatives for significantly reducing air pollution.”

Again, we feel this government must recognize the 2007 coal shutdown as unrealistic—making reference to supply. We need to take time to address many concerns that this move would create. Job loss, for one, has been mentioned earlier—600 employees at the Nanticoke plant, for example—and the fact that it’s taking 25% of supply out of the grid. There’s an overwhelming amount of proof to show that, quite simply closing down coal energy will not ensure, to make reference to the wording in Bill 100, the direction in the bill, the “adequacy, safety, sustainability and reliability of electricity supply,” which is one of the goals of the present piece of legislation.

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The coal-fired plants in the province of Ontario supply more than a quarter of our electricity. It’s our view that if the members opposite carry through with what we consider wrong-headed coal closure plans by 2007, it leaves us with two years to replace 25% of the supply.

I ask that this government not overlook the fact that coal is not only abundant but also affordable. Globally, the estimate is that we have about 1,000 years’ worth. That leaves for future generations the problem of what to do 1,000 years from now. That’s probably beyond the purview of this particular piece of legislation and certainly goes beyond Mr Prue’s lifetime.

Mr Prue: I hope not.

Mr Barrett: There is evidence that natural gas reserves are dwindling. In fact, the US Department of Energy indicates that of North America’s hydrocarbon reserves, coal represents 85% and, in contrast, natural gas is 10%.

The Chair: Comment?

Mrs Cansfield: I reiterate our commitment to phase out the coal-fired plants. But I wanted to make a comment about the multi-stakeholder advisory committee. I know that Mr O’Toole had asked for, and I’m sure he had been given, copies from the people we met with, which probably numbered somewhere between 500 and 600, where we talked to and discussed with all phases of the electricity sector. That’s over and above the task force itself.

I can tell you that I’ve been to probably close to 50 sessions where I’ve had the opportunity to speak to and discuss one-on-one with individuals from all sectors their perspective on how we deal with energy going into the future in this province. So it seems to me redundant to strike an advisory committee on something we have exhausted, I think, in terms of the discussions around Bill 100.

That’s not to say there will not be ongoing discussions, certainly on renewables, because we have a strong commitment to renewables in the future, along with the discussions the minister will determine around supply mix and transmission, which he has already discussed.

Mr O’Toole: The coal discussion is probably, as I said earlier, the most important near-term decision or recognition that we’re looking for, and I’ll tell you why. I say it, really, because it’s so important that the coal decision was one of the main themes at your more recent party policy conference. I’ve asked the minister in public forums, and I’m asking you as the parliamentary assistant today, is the minister prepared to resign if this promise is not fulfilled?

The signals you’ve sent on renewable—the 300 megawatts is basically a small number. You haven’t done what Jean Charest has done in Quebec; Prince Edward Island and other jurisdictions have sent a very clear signal to the renewable sector. If you’re really prepared to go out there and invest the billions of dollars needed to incent the infrastructure, the jobs that could be created around renewable fuels—by the way, we’re not opposed to renewable fuels; that’s not the debate here.

I think you’re threatening a very reliable, affordable and stable supply of fuel, not for an infinite amount of time. We probably said 2015 and you said 2007, like you said a lot of things prior to the election, without even thinking about them. I’m saying to you here that if you’ve really thought about it—and you’ve said you have; you’ve consulted multi-stakeholders—will you say the minister should resign if it’s just another public relations stunt? That’s what bothers me about all this, with all due respect. I know you didn’t say it and you probably would secretly like to support our amendment here.

The Chair: Are members prepared to vote?

Mrs Cansfield: Mr Chair, I need to respond. Certainly, I can’t speak on behalf of the minister. I will tell you, however, that on those 300 renewables, every one of those contracts is signed, and in Quebec they are not signed. Therefore, we are moving forward far faster than you might like to think.

The other is that when you have an expression of interest in 4,400, out of which 1,100 megawatts came forward, that’s superb. Then add in on the 2,500 megawatts 60,000 megawatts of interest; it’s nothing to sneeze at. Obviously, there’s an appetite in this province for investment in new energy supply. So I think phasing out—you talk about stable and dealing with affordable supply and whatever. I don’t know about you, but 2,000 people every year die of respiratory-related disease in this province. There’s no question that coal supports part of that respiratory problem, in addition to your SUVs and others; I agree with you. Having said that, it is incumbent upon the leadership of this government, and they have taken the leadership, to deal with that. I know you don’t like it and I know it’s uncomfortable, but we’re moving forward anyway.

Mr O’Toole: Thank you, Chair. I appreciate being allowed to speak against that. It’s one of the more important sections that I see. I take that as a yes, that the minister will resign. So that’s for the record. I’ll get a copy of Hansard tomorrow.

Mrs Cansfield: You can take it any way you like.

Mr O'Toole: I think what's really important here is the fact that you acknowledge that there is some difference.

When you said your response to the 300 megawatts and the 2,500 megawatts was so overwhelming, we've got to look at the communications plan. You had headlines saying that the minister is going to put \$25 billion to \$40 billion out there; all of the players in the industry want to be at the table.

Mrs Cansfield: I didn't say that at all.

Mr O'Toole: Yes. That's what the headlines said. All the players wanted to be at the table, so they anted up the \$50,000 that it took to respond to the RFP so they'd be in the game.

You said you've already signed those. That would be out of order, I might comment, because this legislation does not empower any signature on any of the RFPs.

Mrs Cansfield: It's in process, then.

Mr O'Toole: What I'm saying to you is this: Until this is law, the OPA has no jurisdictional authority to sign any agreement. So if you're telling me that they already know who's going to be building these plants and they've started, you have a problem right here, just sequentially, with procedural rules.

I understand you're the government, and it's my job to point up spots of opportunity. The only point I'm trying to make here is that the response—we will see when we look at the real analysis of the response to the RFPs on the second round. All of it's going to be determined on price, and if there's no money in here, you're either going to put money in on the renewable side by some sort of tariff system—in every case, all the signals are there. There's not the economics for the renewable right at the moment. We all needed to have a transitional plan, whether it's emission trading issues or other ways of incenting renewable, and I'd support most of it, I would say. But that signal isn't out there right now, and you are going to be paying more. The one signal that is there is that all of this stuff, under the present economics, is unsustainable.

Where Quebec differs, with Charest's announcement on a huge wind project—one of the conditions in the RFP was that there had to be jobs. They had to build infrastructure. The successful bidders, whether it's Vision Quest or whoever got the bid—what's the big one from Denmark? I forget the name at the moment; oh, Vestas—would actually have to build a facility in Quebec. They want the jobs around building renewable infrastructure, the technology and manufacturing etc. They had a sizable bid. They were looking for sizable responses that required them to have an investment on the ground to build some of the infrastructure around renewable technologies. Anyway, we'll see how you make out and I'm sure the world will be watching and we'll all be watching. At the end of the day, I wish you luck, ultimately.

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Mrs Cansfield: Just for the record, Chair, it's the ministry that's involved with the RFPs, not the OPA. The OPA doesn't exist yet.

The Chair: That's right.

Are members prepared to vote? All in favour? Opposed? The motion is lost.

Shall schedule A, section 2.1 carry? All in favour? Opposed? Carried.

Now, there are no amendments coming forward, so shall schedule A, section 3 carry? All in favour? Opposed? Carried.

Now, then, we do have amendments to the next part of schedule A. NDP motion, page 14.

Mr Prue: I move that clause 5(1)(g) of the Electricity Act, 1998, as made by subsection 4(1) of schedule A to the bill, be struck out and the following substituted:

“(e) to terminate the IESO-controlled markets in accordance with the regulations;”

This would do away with the spot markets: all the uncertainty, all the costs, all the overruns and everything else.

The Chair: Comment?

Mrs Cansfield: Thank you, Chair. This amendment is inconsistent with our model of a hybrid market; therefore, we will not support the amendment.

The Chair: Is the committee prepared to vote? All in favour? Opposed? The motion is lost.

NDP motion, page 15.

Mr Prue: I move that subsection 5(1) of the Electricity Act, 1998, as made by subsection 4(1) of schedule A to the bill, be amended by striking out “and” after clause (f), by adding “and” after clause (g) and by adding the following clause:

“(h) to operate the IESO-controlled grid in a manner that ensures the protection of the environment and public safety.”

This is simply to add protection of the environment and public safety to the clause.

The Chair: Comment? Hearing none, all in favour? Opposed? The motion is lost.

Interjection.

The Chair: No, not yet.

Shall schedule A, section 4 carry? All in favour? Opposed? Carried.

Now, then, we move to section 6 of schedule A. PC motion, page 16. Mr O'Toole?

Mr O'Toole: Section 6 of schedule A to the bill—

Interjection.

The Chair: Oh, wait.

Mr O'Toole: Pardon me. We've got another section. We should do section 5 before we do section 6.

The Chair: Yes, we did move to where we do have an amendment, but schedule A, section 5, does not have any amendments.

Shall schedule A, section 5 carry? All in favour? Opposed? Carried.

Now we can move to your motion, Mr O'Toole.

Mr O'Toole: Section 6 of schedule A to the bill (clause 7(2)(b) of the Electricity Act, 1998):

I move that clause 7(2)(b) of the Electricity Act, 1998, as set out in section 6 of schedule A to the bill, be struck out and the following substituted:

“(b) 10 additional individuals who are appointed by the Lieutenant Governor in Council and ratified by the standing committee on government agencies.”

If I could speak to that, it really isn't much different, except right now, as I understand it, all of these appointments are going to be by the minister. What we want is a forum for public review. I don't want to go on too long about this, unless I have time, but what we found during the election was, they talked about transparency and accountability and a new democracy, and I haven't seen one word of it. In fact, if you look through this bill, all these secret appointments are going to be done behind closed doors.

In the previous amendments to the bill, they've exempted the provision on conflicts of interest because there's such a shortage of experts in the energy area. So I think this would allow—in most cases, the appointments would stand. I understand you dominate every committee and it's almost fruitless coming here sometimes—

Mr Prue: It is today.

Mr O'Toole:—because you don't even listen to these amendments. Mr Prue is exactly right. There's no hope of any of our amendments—most of the people here can go home, I suppose, unless you're from the ministry. Then it's a kind of a duty you have.

My sense, without being completely flippant about it, is that really what we have here is an opportunity for you to follow through on the democracy debate and the accountability debate. All it would be is reviewed by the standing committee on government agencies. You have the majority of members on that committee and you could ram the appointments through. I have no problem with that. So I look forward to your support. It's part of the—I'll bring this up during the democracy debate.

Mr Mike Colle (Eglinton-Lawrence): We'll appoint Bill Farlinger back.

The Chair: Order, please.

Mr O'Toole: Well, that's received public scrutiny, Mr Colle.

Mr Colle: I'm sure he did. We'd love to have him back on.

The Chair: Further comments?

Mrs Cansfield: I just wanted to note that earlier in the comments of Mr O'Toole, he identified how important it was to move in an expeditious fashion to get the OPA and the conservation bureau up and going. So I find his argument interesting at this point.

Mr O'Toole: I think it's worth it, for the stroke of democracy that you could make here and that you're really addressing: the appointments process. I found out by reading the Globe and Mail about the appointments to the OPG, most of whom I believe were Americans.

Mr Colle: I remember when Farlinger brought those Americans here.

Mr O'Toole: Mr Colle, we're talking about Minister Duncan's appointments

Mr Colle: Are those the ones who got the pensions?

Mr O'Toole: You probably don't know who they are. If you want to speak, Mr Colle, you should raise your hand and follow procedure.

All I'm stating are things related to the issues before us. What we're talking about in this section is the appointment. What you're supporting is a process that has no transparency, no accountability. Mr Prue, I'm sure, will support this. All we're asking for is to have the standing committee on government agencies, which you dominate, and yet the appointments to date—I can tell you, there has probably been much wining and dining at your recent fundraisers for these appointments. They're much sought after. They're the power-brokers of the future. I just want a public process. You'll still win the war because you've got more soldiers, and the soldiers will do as the general tells them. Dwight and Dalton will tell you how to vote, so you don't even really have to read the notes.

I appreciate the opportunity to make my statement.

Mr Colle: I wonder if the member is talking about when Mr Farlinger brought those four, I think, high-priced Americans who came here—

Mrs Cansfield: Seven.

Mr Colle: Seven of them? I don't know, but they were paid millions of dollars. They were supposed to fix Pickering. The didn't fix it; they even added more costs, spent hundreds of millions of dollars and didn't do anything. Then they went back and got severance pay and a moving allowance to go back to where they came from. Is that the kind of process you want us to adopt that you did so well when you were in power? Is that what you're saying, Mr O'Toole?

Mr O'Toole: Through the Chair—

The Chair: Mr Prue has asked—

Mr Prue: This is getting a little bit out of hand here. The motion here is quite simple. As I read it, it's to have the standing committee on government agencies vet the people you propose to appoint. Either you want to do it in a public forum or you want to do it in private. Either you want to have the Legislature involved and you want to vet that or you want the minister to do it. I don't think there's any sense in calling names of either how badly they did it in the past or how badly you're doing it now. The question is, do you want to do it right? I don't see anything wrong with having a legislative committee vet who you choose. I will support it, and I don't think there's any reason to have name-calling here. Either you want the minister to do it off on his or her own or you want the legislative committee to do it. I don't think this is any worse than what you're proposing.

The Chair: Is the committee ready to vote?

Mr O'Toole: I would ask for a recorded vote on this one too.

Ayes

O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Shall section 6 carry? All in favour? Opposed? Carried.

Now we move to section 7.

Mr O'Toole: I move that subsection 8(2) of the Electricity Act, 1998, as set out in subsection 7(2) of schedule A to the bill, be amended by striking out "appointed by the minister" and substituting "appointed by the Lieutenant Governor in Council and ratified by the standing committee on government agencies."

I'd ask for your support in the name of democracy. Maybe it's a little overdramatic.

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The Chair: Comments?

Mr O'Toole: Recorded vote on this.

Ayes

O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Shall schedule A, section 7 carry? All in favour? Opposed? Carried.

Shall sections 8, 9 and 10 carry? All in favour? Opposed? Carried.

We have an amendment to section 11 of schedule A.

Mr O'Toole: I move that section 12 of the Electricity Act, 1998, as set out in section 11 of schedule A to the bill, be amended by adding the following subsection:

"Same

"(2) Despite subsection (1), no delegation of powers or duties shall be made to a person who is ineligible to hold office as a director of the IESO by reason of subsection 7(4) or to a body that is an entity referred to in that subsection."

The Chair: Comments?

Mr O'Toole: The explanation here is more or less the delegation of duties. Perhaps the parliamentary assistant will be familiar with the section I'm referring to with the effect of the first CEO of the IESO subject to an open and accountable process to be reviewed by the legislative committee on governance. That's where this came from. In this section, if you look at the current wording, it's more of a governance issue and the delegation of power that we have a problem with.

Mr Prue: I have a question of the movers because I need to understand what this is. Subsection 7(4), as set out here, because it's been deleted and then a new one, says, "No person who is a member of a class of persons prescribed by the regulations may hold office as a director of the IESO." If they cannot hold office, how can they be delegated powers under this section? I'm having a problem understanding what you're trying to move here.

I have been supporting some of your motions. I want to give credibility to it, if it is indeed credible, but I don't understand this at all.

Mr O'Toole: That's fine. The mover may have to have clarification. But the intent here, as I understand it, is that the current section—which by the way we've already voted on, 7(a) of schedule A, subsection 7(4)—was amended in the first round, if I understand it. I don't have an amended copy of the bill. I forget the amendment. At that time, we had an issue with that and perhaps Mrs Cansfield can explain. We had a problem with it, and that is why we have added the subsection. I appreciate that this is a reprint of an already amended pretty hefty bill here. There's a visual image involved in that.

Mr Prue: To assist you, it's on page 7, left side, halfway down, the new 7(4).

Mr O'Toole: Under the act there are several restrictions on board membership. That's to ensure that no person of undue influence is able to influence the operation of the IESO. We want to make sure that there are no potential conflicts. Should the board delegate any of these duties or responsibilities to another body or individual, selection should be held to the same criteria. Now, we get into that when we start talking about these cross-appointments and subcommittees and advisory panels, because I think there are three different advisory panels—to the conservation, to the OPA and to the IESO. I think there are minister's advisory committees. Now, this is a very technical, investment-sensitive area, and that's what the nature is. Here's the delegation of responsibilities and sub-delegation as well.

So if we need to take a recess and perhaps get a technical briefing, we would ask for nothing less than certainty that these delegated responsibilities that we're trying to deal with here are appropriately dealt with in the public interest.

Mrs Cansfield: If you look at the section, the reason we wouldn't support this particular amendment is that we actually want to be able to draw upon the industry experts. You know, it's difficult enough with committees, but we want to be able to have some flexibility in terms of drawing on industry experts, people with particular backgrounds and understanding in certain initiatives and issues. We want to be able to deal with industry representatives, so what we're proposing is just broader than your definition.

Mr Prue: I need to understand this. What you're saying is you want to delegate or you want to be able to delegate to people outside of the IESO, who would not be eligible to members of the IESO, who would somehow be prescribed ineligible? You were saying you want to delegate something you can't give?

Mrs Cansfield: Well, for example, if you have an OPA board, you wouldn't want the same members on that board to be a part of that committee. That would be the example. But, having said that, you also don't want to preclude having the opportunity to draw on the industry expertise, industry representatives as well. We just don't want to be able to use the same people.

The Chair: Is the committee ready to vote?

Mr O'Toole: No. I need clarification. It's fairly technical, I guess, because we looked at the two conflicts

here. The section we're actually dealing with is 12, and that section says, "Subject to the governance and structure bylaw, the board of directors of the IESO may delegate any of the IESO's powers duties to a committee of the board, to a panel established by the board of directors or to any other person or body, subject to such conditions and restrictions as may be specified by the board of directors." That's pretty loose.

If you look at section 7(4), which our amendment attempts to—"No person who is a member of a class of persons prescribed by regulations may hold office as a director of the IESO."

You've got the minister with these advisory committees and select panels, you've got delegated responsibilities. I'm not suggesting any obfuscation of any sort. I just think there's a potential for great conflicts and great potential investment risks, if you will, because it's a very highly specialized area of law, it's a very specialized area of pension fund investments, longer range investment relationships and technical legal contracting stuff.

I'm not professing here that I know much about it. I have concerns about it. That's why I want certainty, and I think Mr Prue is of the same bent. When you look at these two sections and other sections where the minister can appoint, there's no review by an all-party committee; it doesn't go through the legislative process in any way. Then we have these boards, autonomous of government—they're not even a government agency—committing, through contract signatures through the OPA, billions of dollars. You sort of say, "Who's got the button here?" That's really where this is coming from, Ms Cansfield. Do you understand? Michael, am I making it harder for you to understand?

Mr Prue: I think it's complicated enough all on its own.

1650

Mrs Cansfield: Maybe I could help. The OPA board has the authority to delegate. What they want to ensure is that it's an independent body of the OPA, not the same people. The same would be with the IESO, that they could put together a very technical panel that requires industry expertise in order to come back with a particular initiative that they need to have some understanding on. That's what this permits. So, in fact, it deals with the conflict of interest issues.

Mr O'Toole: Does it allow cross-appointments for persons who would be serving on OPA or IESO, or whatever existing organizations there are today? They could be cross-appointed as well and have a pretty good understanding of some contract provisions or projected forecasts.

Anyway, as long as I have your word that there will be no conflicts of interest in any of the appointments. I'm surprised you did not support a simple process of an all-party review through the agency, boards and commission committee. It's a standing committee of the Legislature.

Mr Colle: Just like you had.

Mr O'Toole: Well, again, we're not government now, Michael. Respectfully, this is up to you now to carry up

the stairs of democracy one more step to the integrity and accountability that you talked about before the election. You haven't done a single thing about it since, except talk about it.

Mrs Cansfield: Mr Chair, if we could go back to this particular amendment. In fact, we believe that what is in the bill deals with the issues around conflict of interest and, therefore, we will not support the amendment.

Mr O'Toole: Recorded vote.

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely.

The Chair: The motion is lost.

Shall schedule A, section 11 carry? All in favour? Opposed? Carried.

We move to schedule A, section 12, PC motion 19.

Mr O'Toole: I'll move quickly.

Section 12 of schedule A to the bill, section 13 of the Electricity Act: I move that section 13 of the Electricity Act, as set out in section 12 of schedule A to the bill, be amended by adding the following subsection:

"Advisory committee on hydrogen and fuel technologies

"(1.1) The board of directors of the IESO shall establish a panel as an advisory committee on hydrogen and fuel technologies."

Mrs Cansfield: If I may, the IESO is responsible for the market and the reliability of the grid and is not a research facility dealing with hydrogen. We will not support the amendment.

The Chair: Is the committee ready to vote? All in favour? Opposed? The motion is lost.

Mr O'Toole: I would just procedurally ask the clerk if we could go through the amendments and then do the voting afterwards. Would you mind, or is that just out of—

The Chair: We'll progress as we are for the moment.

Mr O'Toole: Otherwise, we've got about five minutes here and this thing is over with. We've got pages and pages. There are 83 amendments.

The Chair: Let me deal with this particular point that I'm at now.

Shall schedule A, section 12 carry? All in favour? Opposed? Carried.

We move to section 20, schedule A—no. Just a moment.

Mr O'Toole: Have we got 19 voted on yet?

The Chair: No. Just a moment. I'm going to ask, shall schedule A, sections 13, 14, 15, 16, 17, 18 and 19 carry? All in favour? Opposed? Carried.

Now we are to the point of PC motion, page 20.

Mr O'Toole: Section 20 of schedule A to the bill, subsection 19(5.1) of the Electricity Act, 1998:

I move that section 19 of the Electricity Act, 1998, as set out in section 20 of schedule A to the bill, be amended by adding the following subsection:

"Exception

"(5.1) Despite subsection (5), the board shall, before exercising its powers under this section, hold a hearing on any matter that will result in increased fees payable by consumers."

Clearly, any decision with respect to fee increases payable ultimately by consumers should receive public consideration. Those who are required to pay the fees should have the opportunity to voice their concerns so that the net impact can be considered prior to the board's rendering a final decision on these matters.

That's been the issue all along: price clarity and public consultations on price, none of which have been held to date. It's the big mystery: What's the price? So we're asking for your support in the interests of protecting vulnerable consumers, small business and large business in Ontario.

The Chair: Is the committee prepared to vote?

Mrs Cansfield: Just for the record, there already are fee review processes in place at the Ontario Energy Board.

Mr O'Toole: Let's just get serious here. I just read an article in the paper where in fact the minister has approved some of the fees—they are required to go to the minister for their operating budget. The OPA goes to the minister and the minister either approves them or sends them back to the board. I think they've already approved them. In fact, I think they've said publicly that the rates are going to be stable over the next year as you get into the marketplace.

All I'm looking for, as you go forward, is that there should be public hearings on any fee that's levied on the consumer. The energy board and the consumers of Ontario, large and small, should have the right to public hearings. If you don't want public accountability, this is one more example that you're going to ram the balance of these 83 motions or amendments through. You aren't listening. You're going to go ahead—

Mrs Cansfield: Already there.

Mr O'Toole: See, there it is. It's finished.

The Chair: Comments? Seeing none, all in favour? Opposed? The motion is lost.

Shall schedule A, section 20 carry? All in favour? Opposed? Carried.

Shall schedule A, sections 21, 22, 23 and 24 carry? All in favour? Opposed? Carried.

Now we move to an NDP motion, page 21.

Mr Prue: I move that section 22 of the Electricity Act, 1998, as made by section 25 of schedule A of the bill, be amended by adding the following subsection:

"Orderly shutdown in business plan

"(3) In the first year after this provision comes into force, the IESO's business plan shall include a plan for shutting down the IESO-administered markets in an orderly fashion."

This is quite clearly to end the spot market.

The Chair: Comment? All in favour? Opposed? The motion is lost.

Shall schedule A, section 25 carry? All in favour? Opposed? Carried.

Shall schedule A, sections 26 and 27 carry? All in favour? Opposed? Carried.

Now we have an NDP motion, page 22.

Mr Prue: I move that clause 25.2(1)(c) of the Electricity Act, 1998, as made by section 28 of schedule A to the bill, be struck out and the following substituted:

"(c) to engage in activities in support of the goal of ensuring adequate, reliable, environmentally and economically sustainable, safe and secure electricity supply and resources in Ontario."

As part of the objectives to ensure environmentally and economically sustainable electricity supply, we would like to have that in the bill.

The Chair: Comment? Seeing none, all in favour? Opposed? The motion is lost.

1700

For the committee, as directed from the House, government notice of motion number 240, I shall now put every question necessary to dispose of all remaining sections of the bill and any amendments thereto.

Mr O'Toole: If I may, are we finished moving and dealing with the amendments?

The Chair: No, we are not. I shall now put the question.

Mr O'Toole: That's why I'm still in the midst of discussing what's going on. What actually happens, I feel I've heard some of these amendments. In fact, I've sensed—

The Chair: No, I'm going to put—

Mr O'Toole: What will happen to our amendments and, indeed, the government amendments?

The Chair: I'm going to call each and every one of them now.

Mr O'Toole: There's no chance for any debate. Will you consider any of these amendments of ours at all or are you just going to vote no? Because a lot of them haven't been read yet.

The Chair: There is no debate on the motion from the House. There's no debate at this point, Mr O'Toole. We are going to call each and every motion.

Mr O'Toole: I'm concerned that they haven't read the amendments.

The Chair: There is no debate.

Mr O'Toole: I'm disappointed.

The Chair: We will now move to NDP motion 23—

Mr O'Toole: I'm not participating in this vote. It's just a sham of the process.

The Chair: Order. We will now move to NDP motion 23. All in favour? Opposed? The motion is lost.

Mr Prue: I don't see any sense in voting, so I'm just going to sit here.

The Chair: PC motion 24: All in favour? Opposed? The motion is lost.

NDP motion 25: All in favour? Opposed? The motion is lost.

PC motion 26: All in favour?

Mr O'Toole: Could I ask for a recorded vote?

The Chair: Recorded votes will be stacked to the end. You request a recorded vote?

Mr O'Toole: Numbers 26, 27, 28.

The Chair: We'll do them as we get to them, for the clerk to follow along. So on each one you would make the request, Mr O'Toole, and they would be stacked to the end of the proceedings.

Mr O'Toole has asked for a recorded vote on 26.

Government motion 27: All in favour?

Mr O'Toole: Recorded vote.

The Chair: PC motion 28: All in favour?

Mr O'Toole: Recorded vote.

The Chair: Government motion 29: All in favour?

Mr Prue: Recorded vote. If I could make it easier, I request recorded votes on all of them, so let's just go to the end and do it.

Mr O'Toole: I think you're right. The government motions—

The Chair: Is it the will of the committee that all motions will be recorded from number 27 until completion—

Mr O'Toole: Give them time to read them.

The Chair: —and they will all be recorded votes?

Mr O'Toole: Could I ask the clerk, could they get time to be read at all—

The Chair: No.

Mr O'Toole: —or are they just deemed?

Mrs Cansfield: We've read them.

The Chair: They are deemed to have been moved.

Mr O'Toole: Many members still haven't taken the staples out.

The Chair: So we will have recorded votes on motions 27—

Mr O'Toole: Number 26 was our first one to be recorded.

The Chair: —26 through 83, so I would ask the indulgence of the clerk to recognize persons on the votes.

PC motion 26:

Ayes

O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Government motion 27:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

O'Toole, Prue.

The Chair: The motion is carried.

PC motion 28:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Government motion 29:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: The motion is carried.

PC motion 30:

Ayes

Barrett, O'Toole.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Government motion 31:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: The motion is carried.

NDP motion 32:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 33:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 34:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 35:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 36:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 37:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

NDP motion 38:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

NDP motion 39:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

NDP motion 40:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 41:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

Shall schedule A, section 28, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

1710

The Chair: The motion is carried.

Government motion 42:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, section 28.1 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Opposed? Carried.

PC motion 43:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.

PC motion 44, I'm told, is out of order.

Shall schedule A, section 29 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Government motion 45:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

PC motion 46:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: It's lost.
Government motion 47:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
NDP motion 48:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: It's lost.
NDP motion 49:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
PC motion 50:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost
PC motion 51:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
Shall schedule A, section 30, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
NDP motion 52:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
PC motion 53:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
Shall schedule A, section 31 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
PC motion 54:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
NDP motion 55:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: The motion is lost.
PC motion 56:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.
NDP motion 57:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Motion lost.

PC motion 58:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.

Shall schedule A, section 32 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

We have a number without amendments: Shall schedule A, section 33 and section 34 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Government motion 59:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, section 35, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, section 36 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

NDP motion 60:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.

Shall schedule A, section 37 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, section 39 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, Prue.

The Chair: Carried.

1720

The Chair: NDP motion 61:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.

Shall schedule A, section 40 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Government motion 62:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, section 41, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule A, sections 42 through 50 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 63:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
PC motion 64:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.
Government motion 65:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule A, section 51, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule A, sections 52 through 58 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
NDP motion 66:

Ayes

Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.

Shall schedule A, section 59 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 67:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Prue.

The Chair: Carried.
Shall schedule A, section 60, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule A, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
PC motion 68:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.
NDP motion 69:

Ayes

Barrett, O'Toole, Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost.
The next one , PC motion 70, is out of order.
Shall schedule B, section 1 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Prue.

The Chair: Carried.

Shall schedule B, section 1.1; schedule B, section 2; schedule B, section 3; schedule B, section 3.1; and schedule B, section 4 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Prue.

The Chair: Carried.

Government motion 71:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 4.1, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

NDP motion 72:

Ayes

Prue.

Nays

Cansfield, Colle, Marsales, McNeely, Mitchell.

The Chair: Lost. There were two pages to that one.

Shall schedule B, section 5 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 6 and schedule B, section 7 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

1730

The Chair: Carried.

Government motion 73:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 8, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 9 and schedule B, section 10 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Government motion 74:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 11, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, sections 12 through 21 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Government motion 75:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall schedule B, section 22, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Shall schedule B, section 22.1 through section 24 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 76:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, Prue.

The Chair: Carried.
Shall schedule B, section 25, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

O'Toole.

The Chair: Carried.
Government motion 77:

Ayes

Barrett, Cansfield, Colle, Marsales, McNeely,
Mitchell, O'Toole, Prue.

The Chair: Carried.
Government motion 78:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 79:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 80:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 81:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Government motion 82:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Government motion 83:

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule B, section 26, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule B, sections 26.1 through 29 carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule B, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.
Shall schedule C carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall sections 1 through 3 of the bill carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall the title of the bill carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Shall Bill 100, as amended, carry?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Shall I report the bill, as amended, to the House?

Ayes

Cansfield, Colle, Marsales, McNeely, Mitchell.

Nays

Barrett, O'Toole, Prue.

The Chair: Carried.

Mr O'Toole: With your indulgence, Chair, I just wanted to thank the staff and stakeholders who have worked hard to this point in time, but more specifically, I'd like to centre out Laurie Leduc, a former legislative intern, who has done a lot of work on this.

I'm sure all staff people would appreciate the technical nature of this, and I thank Laurie Leduc, whose young child is waiting at home with a babysitter, for coming here today for this fruitless—there's an interns' reception tonight, right after this session, which everyone should attend. I'm not sure "celebrate" is the appropriate word at this time, but certainly "commiserate."

The Chair: Thank you, Mr O'Toole. It's not a point of order, but it is a point of interest.

The committee is adjourned.

The committee adjourned at 1738.

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First Session, 38th Parliament

**Assemblée législative
de l'Ontario**
Première session, 38^e législature

**Official Report
of Debates
(Hansard)**

**Journal
des débats
(Hansard)**

Wednesday 1 December 2004

Mercredi 1^{er} décembre 2004

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Highway Traffic Statute
Law Amendment Act
(Child and Youth Safety), 2004

Loi de 2004 modifiant des lois
en ce qui concerne le Code
de la route (sécurité des enfants
et des jeunes)

Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 1 December 2004

Mercredi 1^{er} décembre 2004*The committee met at 0900 in committee room 1.*

SUBCOMMITTEE REPORT

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. The first order of business this morning would be to have the report of the subcommittee read, and that will explain why we are here this morning as well.

Mr Mike Colle (Eglinton-Lawrence): Mr Chairman, I have a motion to ask for the approval of the subcommittee report, and I'll read it into the record, if I can do so.

Your subcommittee met on Thursday, November 25, 2004, to consider the method of proceeding on Bill 73, An Act to enhance the safety of children and youth on Ontario's roads, and recommends the following:

(1) That the committee meet in Toronto on Wednesday, December 1, 2004, for the purpose of holding public hearings and clause-by-clause consideration on Bill 73.

(2) That the committee clerk, with the authorization of the Chair, post information regarding the hearings on the Ontario parliamentary channel and the committee's Web site.

(3) That interested parties who wish to be considered to make an oral presentation contact the committee clerk by 5 pm on Monday, November 29, 2004.

(4) That the committee clerk provide the subcommittee members with a list of requests to appear by 10 am on Tuesday, November 30, 2004.

(5) That the subcommittee members determine whether to schedule public hearings on the morning of Wednesday, December 1, 2004, based on their review of the list of requests, and that they so advise the committee clerk by 12 noon on Tuesday, November 30, 2004.

(6) That individuals be offered 10 minutes and groups be offered 20 minutes for their presentation.

(7) That the deadline for written submissions be 5 pm on Tuesday, November 30, 2004.

(8) That the deadline for filing amendments with the committee clerk on Bill 73 be 5 pm on Tuesday, November 30, 2004.

(9) That the committee commence clause-by-clause consideration of Bill 73 no later than the afternoon of Wednesday, December 1, 2004, following routine proceedings.

(10) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I so move the adoption of the report.

The Chair: Any comment? All in favour? Carried.

HIGHWAY TRAFFIC STATUTE
LAW AMENDMENT ACT
(CHILD AND YOUTH SAFETY), 2004
LOI DE 2004 MODIFIANT
DES LOIS EN CE QUI CONCERNE
LE CODE DE LA ROUTE
(SÉCURITÉ DES ENFANTS
ET DES JEUNES)

Consideration of Bill 73, An Act to enhance the safety of children and youth on Ontario's roads / Projet de loi 73, Loi visant à accroître la sécurité des enfants et des jeunes sur les routes de l'Ontario.

The Chair: The committee will begin clause-by-clause consideration of Bill 73. Are there any comments, questions or amendments, and, if so, to which sections?

Mr Colle: I move adoption of the clauses except for one amendment that I have. I have one amendment to Bill 73, An Act to enhance the safety of children and youth on Ontario's roads, a motion to be moved in committee that subsection—

The Chair: Mr Colle, we'll move that at the appropriate time. We're moving from section 1 onward, and we'll get to you when that time comes.

Any other comments? Hearing none, shall sections 1 through 5 carry? All in favour? Carried.

Any amendments to section 6?

Mr Colle: I have one amendment to section 6, a government motion amendment, subsection 6(2) of the bill, clause 207(2)(b) of the Highway Traffic Act. I move that subsection 6(2) of the bill be struck out.

Mr Jim Wilson (Simcoe-Grey): I would just ask Mr Colle to explain the effect of the amendment.

Mr Colle: I think it's just a technical amendment; that's what it is. That's my information, unless the parliamentary assistant has more information on that.

Mr Jean-Marc Lalonde (Glengarry-Prescott-Russell): The motion is to amend section 207(2)(b) of

the HTA, which sets out the offences for which the owner cannot be charged. We need to amend this section to take out the offence of passing a stopped school bus.

When the bill was drafted, there were two alternative scenarios built into it, because of our uncertainty over whether red-light cameras would be made permanent. One scenario had the offence of not stopping at a red light removed from that section, for example, in the belief that the red-light camera would be permanent and we would need to be able to charge the owner. The second left it in; for example, no red-light camera and therefore only the driver would need to be charged through traditional enforcement. So really this was in the bill, and it is recommended that we remove that subsection.

The Chair: Comment? Hearing none, all in favour?

Mr Gilles Bisson (Timmins-James Bay): Just give me a second. So all of subsection 6(2) is being struck out? OK. I see what you're doing. Thank you.

The Chair: Comment? All in favour?

Mr Bisson: Just quickly. What the heck? When I get an opportunity to say something, why not take the opportunity?

It was interesting, because M. Lalonde, as PA, along with everybody else, would have been lobbied by the police chiefs who were here yesterday. One of the things we heard quite clearly on the issue of the red-light cameras, which is somewhat associated with this, is that the effectiveness of those things is not as good as we originally thought. The fact that people know they're there slows down one intersection, but it doesn't do anything to curb driving habits other than at that one intersection where people know the camera is located. I think it will be interesting to see what position the government takes when it comes to how it moves forward on the rest of this electronic package of photo radar, to see where you're going. That will be an interesting debate. I just wanted to put that on the record.

Mr Colle: If I could just comment, Mr Chairman?

Mr Bisson: Of course, Mr Colle.

Mr Colle: Just briefly. Being very involved with the red-light camera, the original intent of the red-light

camera was that each municipality has notorious collision intersections. We all have them in our communities and neighbourhoods. It was intended to essentially make those safer. Those were the worst, and that's why. You can't solve all the problems at every intersection, but it was intended for those critical ones where people were getting T-boned on a regular basis, and we all know where they are in all our communities.

Mr Bisson: Just from a broader policy issue, the issue of how we make drivers change their bad driving habits, that's what I was talking to. I think we all recognize that if I know there's a red-light camera at intersection X, I'll certainly not blow the intersection, because I don't want to get caught. But how you change people's driving habits is by not knowing when you're going to get caught, so that you don't try it in the first place. That's just the point I was making. I think you understand.

The other thing is—and I think Mr Colle will probably want to comment—about how this technology is not working on Highway 407. I'm sure you'd want to say something about that.

Mr Colle: Not at this time.

Mr Bisson: Oh, come on, Michael.

Mr Wilson: We're waiting with bated breath for your amendment on Highway 407.

The Chair: Mr Colle has moved an amendment. All in favour? Carried.

Shall section 6, as amended, carry? Carried.

Shall sections 7 through 10 carry? Carried.

Shall the title of the bill carry? Carried.

Shall Bill 73, as amended, carry? Carried.

Shall I report the bill, as amended, to the House? Carried.

Mr Wilson: Just one comment, Mr Chair. For the record, we're clear that nobody wanted to appear before the committee; no one responded?

The Chair: That's correct.

Mr Colle: It was publicized.

The Chair: The committee is adjourned.

The committee adjourned at 0908.

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**Legislative Assembly
of Ontario**First Session, 38th Parliament**Assemblée législative
de l'Ontario**Première session, 38^e législature**Official Report
of Debates
(Hansard)**

Thursday 9 December 2004

**Journal
des débats
(Hansard)**

Jeudi 9 décembre 2004

**Standing committee on
finance and economic affairs**Budget Measures
Act, 2004 (No. 2)**Comité permanent des finances
et des affaires économiques**Loi de 2004
sur les mesures budgétaires (n° 2)Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 9 December 2004

Jeudi 9 décembre 2004

The committee met at 1003 in room 151.

BUDGET MEASURES ACT, 2004 (NO. 2)

LOI DE 2004

SUR LES MESURES BUDGÉTAIRES (N^o 2)

Consideration of Bill 106, An Act to implement Budget measures and amend the Crown Forest Sustainability Act, 1994 / Projet de loi 106, Loi mettant en oeuvre certaines mesures budgétaires et modifiant la Loi de 1994 sur la durabilité des forêts de la Couronne.

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. We're here this morning for clause-by-clause consideration of Bill 106, An Act to implement Budget measures and amend the Crown Forest Sustainability Act, 1994. Are there any questions, comments or amendments to any section of the bill, and if so, which section?

Mr Gilles Bisson (Timmins-James Bay): I take it somebody's going to move a motion, and at that point I'll have my comments.

Mr Mike Colle (Eglinton-Lawrence): Do you want me to move the clauses, or do I move the government motion?

The Chair: If there are no opening comments, we'll go section by section.

Shall section 1 carry? All in favour?

Mr Bisson: That's the one I wanted to speak to.

The Chair: Mr Bisson, a comment?

Mr Bisson: Just for the record, I want to thank the government, the minister and the House leader for agreeing with us to withdraw this particular section of the bill. I've made the points. I'm not going to get into a lot of detail, but I really believe that, at the end of the day, this is the right thing to do. There's enough pressure, as the parliamentary assistant knows, in the forestry sections across northern Ontario. Mill owners are more and more looking at ways to maximize production, and the removal of this particular section of the bill, I think, will make it more difficult for them to shut down a mill in a smaller community and transfer trees over to larger supermills.

The Chair: Further comment?

Mr Michael A. Brown (Algoma-Manitoulin): I would disagree, first, with everything that my colleague across the floor said, but I want to put this in some context.

At the time the amendment was proposed to the Crown Forest Sustainability Act, Canada was very, very involved in the negotiations on the softwood lumber file—the issue with the United States. As we all know, those negotiations, while still ongoing, have changed in their complexion rather dramatically, with the changes of government here in Canada, with changes in the world situation, and with changes of rulings that have been made by certain bodies.

Therefore, at this point, the government does not see this as furthering Canada's or Ontario's position on softwood lumber. But I would reiterate again: The government considers this amendment not to impact on the forest industry anything but positively. If, in fact, the government so chooses—and we believe this to be in the interests of the people I represent, Mr Bisson represents and other northern members represent, the workers in our mills and in our forests. If we believe that this will secure their jobs, we'll do this. This has no effect whatever on supermills. This has no effect whatever on communities, other than positive.

We, at this time, are withdrawing this because we believe that, in terms of the negotiations on softwood lumber that we all know have put our industry in great peril, have put jobs in places like White River, Hornepayne, Chapleau and various other communities across northern Ontario in great peril—in Dubreuilville we've seen some significant layoffs, much of which has happened because of the softwood lumber tariffs. The Canadian dollar is now putting increasing pressure on our forestry industry in general.

We've seen, over the last 15 years, a huge consolidation of mills, a huge change in the business as I knew it when I was first elected 17 years ago. They are now controlled by multinational corporations. Even companies that we would have once thought of as home companies—Tembec, Domtar—are now multinational corporations themselves. This industry has changed dramatically, and for us not to recognize that and recognize it for our workers to have secure jobs, means that we have to have a competitive business. It means that our mills have to be state of the art, but it also means that our communities have to maintain their own sources of income.

We reject any notion that this has anything to do with supermills. We reject any notion that this in any way causes problems in the forest industry. We think it's helpful, but only in the context of negotiations that the

federal government—and the provinces are supporting the federal government—is involved in with our American friends. We're hoping for a resolution of this file at the soonest possible moment. So that is why we are withdrawing this motion at this time.

The Chair: A comment, Mr Bisson?

1010

Mr Bisson: I wasn't going to get into a longer debate, but I guess I will now just because I want to put a couple of things on the record.

Number one, you're good. Mike, I've got to say, you're really good. That was a really good attempt.

Two things: One is, in regard to the American counter-claims, we know the Americans have tried, and have been unsuccessful, numerous times to make the argument that somehow or other the system by which we manage our forests, as they see it, is subsidized. They've tried by various means to put pressure on us to change our laws, but at the end of the day it has always been upheld at tribunals that the Ontario system is not a subsidized system. In fact, forestry companies pay for everything. They pay for the roads, stumpage. I think we all agree.

This latest win that we've had federally-provincially with the Americans—does that mean the Americans will never try again? I don't think so. I think they'll be back at it again. We need to stay our course when it comes to our position. Our position has always been, as is the truth, that we do not subsidize the forestry industry in any way, shape or form. In fact, they pay the entire freight. That's one of the reasons we keep on winning whenever we go before the tribunals. They've never been able to prove otherwise because it is the case.

The other issue is in regard to supermills. I agree with the parliamentary assistant on a point he made, which is that there have been, continue to be and will be more changes within the industry; we all know that. But the basic premise—and I think you support me on this. I think pretty well all northerners, with the exception of a few—I'm not talking about members; I'm saying certain people in northern Ontario—would take the view that the forest is there not just for the people but also for forestry companies. Some forestry companies seem to think sometimes those trees are theirs. We need to take the position, as parliamentarians responsible for the Crown Forest Sustainability Act, that the trees in the forest belong to the people of Ontario and we need to manage those forests in a sustainable way, which by and large we do. When it comes to harvesting that timber, it has to be done by taking into consideration the socio-economic impact on local communities.

Our fear, and I think your fear is the same, is that there is increasingly more pressure on the part of forestry companies to consolidate their operations.

I spoke to the owner of Tembec, Frank Dottori—and I'll put it on the record—just last Thursday, and I've spoken to people from Domtar and others. They're basically saying, "Listen, this is where we want to go. We want to go to fewer mills with higher levels of production in the remaining mills," which we call supermills. It's our

view that we don't need to give them any tools to make that job easier.

It is our position, and I believe it is your position, that the trees that are in the local forests—and I'll just take Kirkland Lake as an example—are there not only for the benefit of the company but also the benefit of the local community. Should Tembec at one point in the future decide, as they did before, "We're going to shut down that mill," our position is, as it is in the Crown Forest Sustainability Act, that those trees revert to the crown automatically. They don't automatically belong to Tembec for them to put in a mill in Cochrane or Timmins. Those trees go back to the crown, and under the power the minister has in a crown sustainable forestry development act, it would be incumbent on him under the present legislation to say, "All right, does anybody else want to mill those trees into dimensional lumber in the Kirkland Lake area?" It would be up to the minister at that point to entertain a new applicant for the production of that timber into dimensional lumber. That's how the regime currently works.

If we start monkeying around with the act, it will make it easier for them to say, as they tried, "We'll shut down the Tembec mill in Kirkland Lake. We'll take the trees and shove them off to Cochrane." Well, I'm telling you, they tried it once before, as you well know, about a year and a half ago. That was the position Tembec took: that those trees were theirs and they can move them off to Cochrane and Timmins. We stopped them because the act prevents them from doing that. If a mill shuts down, the trees revert to the crown, and it's up to the minister to find somebody else who's prepared to harvest them; and if not, then there's a decision to be made.

We welcome this withdrawal of the amendment, and we'll just leave it at that.

The Chair: Comment, Mr Brown?

Mr Brown: The member continues to confuse the two issues. Wood direction, the ability and responsibility of the minister to direct wood, was not affected by this amendment in any way whatsoever. This amendment dealt only with the ability to build a mill. What it really said was, you could build a mill if you wanted to build a mill and you met the other criteria. What it said, I think, and we believe, is that only a fool would build the mill without a wood supply. But barriers to entry, which is apparently the issue raised by our American friends—they were suggesting that anybody should be able to build a mill. We didn't see any harm in allowing anybody to build a mill. Wood direction still would remain with the crown. As long as the crown could direct the mill, everything Mr Bisson said would not have been changed; nothing that he said would have been changed.

So while we're withdrawing it, if in fact this facilitates securing Ontario's jobs by having an agreement made with the United States of America regarding softwood lumber, I think, in that interest, we might see this back. That's all I'm saying.

The Chair: Mr Flaherty has asked to make a comment, and I'll get to you.

Mr Jim Flaherty (Whitby-Ajax): Just with respect to the amendment, Mr Brown has a great deal of experience with respect to these issues, certainly referring to the softwood negotiations with the Americans. He's referred to them twice, I think, as "our American friends." I'm sure he's sincere on that, and I think that is a recognition not only of our friendship with the United States but also our mutual economic interests.

Too often there's an effort to drive wedges between American business and the interests of Canadian business and Canadian workers. I was in Kapuskasing earlier this year and listening to the local officials, including the mayor, express their concerns about the nature of decision-making in the relatively new environment of a few companies controlling many mills. That affects decision-making, not only with respect to wood, but with respect to the purchasing of supplies and so on, which is much more centralized—often in big cities—than it was in previous times. I certainly support all efforts to facilitate the growth of the business in Ontario, because that is the long-term security in terms of jobs for people in the province.

I encourage members of the government, certainly, and all members to enhance their relationships with members of the American Congress, because, as you know, a lot of the protectionism emanates from the legislative branches of the American government and not from the executive branch. It's wise when we encourage ongoing discussions with members of Congress and the Senate, particularly from those states that view importation of Canadian softwood as a threat to jobs in their jurisdictions. On that point, I think that the amendment makes sense, and I hope it does enhance the negotiations with our American friends. Are we going to speak to other parts of the bill at some point?

Interjection.

Mr Flaherty: Fine, I'll stop there. Thank you.

The Chair: Mr Bisson?

Mr Bisson: I'm not going to go any further than to say it's obvious that the government parliamentary assistant and myself have a different opinion, and we'll leave it at that. But thank you for withdrawing it.

The Chair: I remind the committee that the vote has taken place on section 1, and it has lost.

Shall section 2 carry? All in favour? It's lost.

Mr Colle: On a point of order, Mr Chair: In light of the fact that the part of the bill referring to Crown forest sustainability has been lost, I have a motion to change the long title of the bill. I'm just wondering whether I should do it at the very end.

The Chair: Yes.

Mr Colle: I know there's a reference to the short title, but there's no reference to the long title.

The Chair: But we would vote on the title, and then, if people want to yea or nay or change it, it could be done at that time.

Mr Colle: Thank you, Mr Chair.

1020

The Chair: Shall section 3 carry?

All in favour? Opposed? Carried.

Shall section 4 carry? All in favour? Opposed? Carried.

Shall section 5 carry? All in favour? Opposed? Carried.

Shall section 6 carry?

Mr Bisson: Recorded vote.

Ayes

Colle, Delaney, McNeely, Wilkinson.

Nays

Bisson.

The Chair: Carried.

Shall section 7 carry?

Mr Bisson: Recorded vote.

Ayes

Brown, Colle, Delaney, McNeely, Wilkinson.

Nays

Bisson.

The Chair: Carried.

Shall section 8 carry?

Mr Bisson: Recorded vote.

Ayes

Brown, Colle, Delaney, McNeely, Wilkinson.

Nays

Bisson.

The Chair: It's carried.

Any debate on section 9?

Mr Bisson: I just want to clarify something with the parliamentary assistant. I note that in this section, as in other sections, you say "the definitions of 'tax payable.'" I thought it was the government's position that this is not a tax. I wonder if you can explain, is this a tax or not a tax?

Mr Brown: It is.

Mr Bisson: No; the parliamentary assistant.

Mr Colle: Whatever you want to call it. It's an attempt by the government to raise revenues for the health costs of Ontario's citizens. Whether it's a tax or a premium, it's a revenue being raised. As the NDP have always agreed, we need to raise more revenues to pay for our public health system.

Mr Bisson: But did you not initially announce this as not being a tax but a health levy?

Mr Colle: We were never pushing it as being a tax or a premium. We were saying basically that it was what it was: a source of revenue. If you want to call it a tax, we said that's fine; if you want to call it a premium, that's fine. There's no problem.

Mr Bisson: So originally it was a premium, a tax, and now it's either a premium or a tax, but it's a tax in the bill.

The last question is, didn't you guys promise not to raise taxes in the last election?

Mr Colle: As I will respond again, in the prebudget consultations—

Mr Bisson: No, in the last election, what was the promise?

Mr Colle: There were prebudget consultations. We went across this fine province, and the member from Whitby-Ajax—

Mr Bisson: Beaches-East York.

Mr Colle: —not Whitby-Ajax but Oshawa—will tell you that many of the NDP presentations that were made before this committee said, "You've got to raise revenues. You've got to raise taxes."

Mr Bisson: No, the specific question is, did you not promise in the last election not to raise taxes?

Mr Colle: Well, we made a commitment. Our first commitment was to ensure that health care and education were funded properly. We didn't think we would have to raise taxes. The previous government, before the election—

Mr Bisson: But you did promise you wouldn't raise them.

Mr Colle: You remember that the previous government swore up and down that there was no deficit. They swore right up until August of the election, remember? They said, "There is no deficit." We came into government and we noticed, with the evaluation of the respected former Provincial Auditor, Mr Erik Peters, that there was a slight deficit of \$5.6 billion. Therefore, we said, "What do we do? Do we raise taxes or do we cut health care, education and our public services?" Essentially, we followed our commitment, and therefore we had to bring about this health premium. We had to produce this source of revenue to help meet our commitment.

Mr Bisson: I've got two more quick questions. The first one is, did the Premier sign a taxpayers' federation pledge not to raise taxes in the previous election? Yes or no?

Mr Colle: I don't want to belabour that. He obviously did what he did. But the primary commitment was, and the NDP agreed to it—they were willing to see increased revenues by government to pay for essential public services—

Mr Bisson: But we didn't promise not to raise taxes; you did.

Mr Colle: —and I'm sure you want to go on the record as saying you're in favour of increasing revenues through taxation.

Mr Bisson: The point is, in the last election, we didn't promise we wouldn't raise taxes; you did. So my last question to you is, are you going to apologize to voters for having broken this promise?

Mr Colle: No, because the fact is, what we committed to voters was to fix the mess we inherited in public education, in the public health care system, in our urban infrastructure, in public transit. That was our commitment. We're going to apologize to no one for investing hard-earned taxpayer dollars into infrastructure and for providing better health care for Ontarians. That's our primary, you might say, agenda, and we're sticking to it.

Mr Flaherty: Some of us are probably old enough to remember the Carter commission from, I think, 1957 or so, a federal commission which became well-known for the statement in the report that "a buck is a buck is a buck." It's too bad our tax laws still don't reflect that principle.

I say to the parliamentary assistant and my friends opposite, a tax is a tax is a tax, just like the Carter commission. I encourage those Liberal members who are not interested in re-election to continue to refer to this tax as a premium, because every time you do it, you aggravate people across the province because you attack their intelligence. You insult their intelligence. It is a tax. The Minister of Finance stood up in the House originally and started calling it a premium. He quickly recognized that was foolhardy because it insults people.

When you look at the legislation itself, which we're dealing with today, section 4 says, "Every individual shall pay a tax ... for a taxation year...." It is a tax. Not only is it a tax, it's a tax on income, and to people in Ontario that means an income tax, so why not call it what it is? If you're serious that you think you can convince people that it's necessary for your Premier to break his promise by introducing a new income tax in Ontario, then get out there and talk to people about your income tax. But I doubt that you will. I expect you'll talk about it as some kind of premium and so on. That's good, because it insults people. If you think that's the road to success in Ontario, to insult the people of Ontario by not calling something what it is, then more power to you. It is another example of untrustworthiness, which comes, of course, initially from the pledge by the now Premier not to increase taxes when he sought the confidence of the people of Ontario.

This bill will mean less service for people in health services in Ontario—we know about that—and they'll get a chance to pay more. I'm pleased that later on in the bill there is a provision, as weak as it is, about reporting how this tax is used. It says in section 29.1, "The public accounts for each fiscal year shall include information about the use of the revenue" from this tax.

It's weak. The section should be much stronger—not "information about." It should say how the money was spent, how much was collected, where it was spent and for what. It should be stronger, of course, but I think this will be useful information to the people of Ontario.

There will be \$2.4 billion or so here. Regretfully, most of it is going to be spent simply on the status quo, on

cost-of-living and higher increases for persons who work in the health care system in the province, and squandering taxpayers' money on purchasing independent MRI facilities and paying the owners of those facilities amounts of money to compensate them for this confiscatory action by the government of Ontario.

This is worse than simply wasting taxpayers' money. It's reducing the amount of health care available to the people in the province of Ontario, because you know and we all know that there are efficiencies built into the independent delivery of health care. You know and we all know in Ontario that the Canada Health Act does not require public delivery of health care services. It requires a publicly administered health plan. So compliance with the Canada Health Act does not require eliminating the independent delivery, the private delivery, of health care services in the province of Ontario. I hope all members understand that. That's the law. That's the way it reads in Canada.

We also know that there are tremendous efficiencies there. Talk to the ophthalmologists in the province, for example, about cataract surgery. As you know, a cataract is not a disease; it's something that happens to all of us if we live long enough. Those services can be delivered outside hospitals in clinics. They can be owned by health care practitioners. They can deliver the service at 75% of the current cost and deliver more of it. That's the kind of thing that government members should be looking at, not imposing \$2.4 billion more tax and eliminating the independent delivery of health care services in the province. It flies in the face of common sense and, more importantly, it reduces the amount and the timeliness of health service in the province. So this bill is going in exactly the wrong direction.

1030

I remind the member of the work of the Institute for Competitiveness and Prosperity, which reports to the government of the day. They consistently told our government and tells your government today, "Don't increase taxes." "Don't do it federally," they say it to the federal government. "Don't do it provincially." The tax burden is already excessive in Ontario, and the major determinant of investment and reinvestment decisions in Ontario is tax policy. Tax policy affects decision-making. We will see the damage done by this largest single tax increase in Ontario's history in three, four, five and 10 years from now, by decisions being made today and in 2005 by businesses in the United States and abroad, and by businesses within Ontario and Canada, about whether or not to expand in the province of Ontario.

We're in competition with Alberta. We're in competition with some of our American neighbours. Why on earth would we put Ontario at a further disadvantage? If you need the backup for that, read the reports on competitiveness to your government that are independent and readily available to anyone in Ontario on their Web site. I encourage people to read that.

There are several things that need to be done too on the health care side. You've got Bob Rae looking care-

fully at post-secondary education in the province. At the end of the day, there will be no substantive reform to funding in post-secondary education in the 2005 budget, or thereafter unless you get control of health care spending. And you don't do that by increasing it recklessly, which this is—another \$2.4 billion.

This is the treadmill. The Minister of Finance's comments have some merit when he talks about a structural deficit. The treadmill is that year after year health care spending keeps going up. Most of the money going to people who work in the system—they deserve raises; that's not the point. The point is, one is not getting anywhere; there's no reform that will actually get health care spending under control. If you don't do that, there won't be the money for post-secondary education, which is vitally important for the economic future, the quality of life and the standard of living of the people of Ontario—again, looking a little ahead, looking ahead three, five and 10 years.

So I urge the government members to look carefully when they act in the future about taxes, to reduce the burden, not to increase it, which this bill does; and to make sure that when the people of Ontario pay their taxes they actually get services for them, not have services reduced.

There's another issue here, and that has to do with public consultations. There was a promise made: "Public input is essential to good government. We will ensure that you have the opportunity to offer comment on all major bills." That was a promise made by the Liberal policy folks—I'm sure every member opposite was consulted in depth about the promises before they were made—and by the now Premier of Ontario. This is a major budget bill. This is the largest single tax increase in the history of the province of Ontario and there are no public consultations. This is in direct breach of the promise made by the now Premier to the people of Ontario. Again, this is regrettable and will be a matter, of course, raised when we go to the people in 2007.

We will be recommending voting against this bill in its entirety, as no one in Ontario should have to pay additional income tax for less service. As I say, I encourage the members opposite to have a look at the economic fundamentals and recommendations with respect to same that are made by the task force on competitiveness and prosperity, and their various working papers over the past several years. I know their work continues.

Not only do we need to reduce the tax burden on individuals and corporations—primarily small business in Ontario, which is the job generator in the province—but we also need to invest more in post-secondary education. We won't be able to do that unless there is serious, substantive reform in health care, including the independent delivery of health care services, which is authorized and permitted by the Canada Health Act.

We need to have a major investment in infrastructure, and we're not seeing that in Ontario, regrettably. We're seeing greenbelt legislation but we're not seeing the

economic and transportation plans that need to go with greenbelt legislation for that to make sense.

All of these things are necessary if we're going to have a population in Ontario, particularly our young people, who are inspired to achieve more and to achieve excellence so that we can compete internationally.

Mr John O'Toole (Durham): I'll be brief. I just want to be on the record on this. As Mr Flaherty has stated—I first want to set a bit of a context to the background. Prior to the election in 1995, we did announce that we would have a Fair Share health tax. That was prior to the election.

Mr Colle: Levy.

Mr O'Toole: It was a levy to the extent that it only started—most of the members opposite wouldn't know. Mr Colle might know, but the rest of you wouldn't know. Mike Brown might as well. The reason I say that is that during the election we announced that incomes over \$50,000 would receive a levy on income for the purpose of tax, and tax for health care specifically. That tax continues. The forthright nature is really the point I'm making, that we said before the election what we did after the election. That's the point, whether it's a tax or a premium.

The point Mr Bisson was making—I don't think the members opposite appreciate the severity and the seriousness of breaking a promise; the trust and integrity of elected officials to say what they're going to do and then do what they say. I think each of you to some extent must be somewhat disappointed, if not just surprised, that you did reverse yourselves hastily after the election by introducing the largest single tax increase in the history of Ontario.

I can tell you in real terms what it means. I just talked last week to a chartered accountant who prepares income tax for persons on maybe disadvantaged incomes. He told me it's about \$50 to \$60 per month, per individual, or more. So if there are two working individuals in a family—arguably more—for each one of them, \$50 a month is \$600, and the average here I think is \$720. Do you realize that that home will now be paying \$1,500-plus per month for health care? Are they seeing—

Interjections.

Mr O'Toole: I want it recorded, Chair, that the members opposite are surprised. They don't understand the tax.

Interjections.

The Chair: Order.

Mr O'Toole: How many months are there in a year, Mr Wilkinson?

Interjections.

The Chair: Order.

Mr O'Toole: I'm just saying that the people of Ontario are going to receive a very extraordinary, heavy tax on their income. That's the point. But they're also going to be paying more and receiving less.

The point Mr Flaherty made is that they're also going to delist chiropractic, physiotherapy and optometry. You've really introduced the next part of this, which is

the privatization of health services. When you are forcing people who used to get services covered by OHIP—they are no longer covered by OHIP, and that's privatization, because now they're taking the money out of their other pocket and paying for those services. I think it's paying more and getting less. Clearly, I'm surprised—

Mr Colle: And shocked.

Mr O'Toole: —and bewildered as well, because obviously the ones on the other side don't seem to get it.

I also wanted to make the point that if I looked at the clippings just today, what Mr Smitherman and Premier McGuinty have done is reflected every day in the media. The reflection in the very first cut-out that we have this morning says, "Ontario's Liberal government will violate the Canada Health Act if it goes ahead with its plan to impose a compensation deal on doctors," the Canadian Medical Association says." There's the CMA now intervening, because Mr Smitherman—furious George—has shanghaied the traditional process of negotiations with doctors.

1040

I'm just going through here. Another headline is "Postpartum Depression Clinics Closed." "Cost-cutting Will Hurt Women, Critics Say"—this is from the Globe and Mail, a very balanced piece of media—"Proposals to axe some hospital programs 'is extremely troubling.'"

The other one that really affects me, and hopefully I will get time later today to ask a question of Mr Smitherman in the House—"Hospitals Cutting Programs for Women." "The Ontario Hospital Association says its 159 members face a \$600-million shortfall." Here are the programs.

"Wendy Fucile, vice-president and chief nursing officer for Peterborough Regional Health Centre, where plans have been made to cut the postpartum clinic, the breast-feeding clinic and a hospital-based testing centre for cervical cancer and on-line resources for women, said all of the planned cuts are painful decisions.

"As a community member it is a horrific experience for a hospital community to make these kinds of hard cuts," Fucile said." And Sunnybrook and Women's College Hospital says roughly the same thing.

The OHA and the OMA are saying it, my constituents are saying it, the chiropractors are saying it: You are raising taxes, and the people are receiving less service. I think it is terribly troublesome. On Bill 106, the real point that has to be made here is that you said one thing during the election: "Health care is a priority. We're all responding to the Romanow Commission report." I want to put on the record too that we all would agree with that.

We also know there are pressures on health care spending across every province. There's are the ongoing negotiations and the failure of the federal Liberal government, and Paul Martin specifically, who in 1993 really clawed back from every province the amount of transfer payments that went to health care. Now we're seeing the real dilemma. I would say that this—

Mr Brown: He should have clawed back more. That's what Mr Harris said.

Mr O'Toole: Actually, Mr Brown, that's not what Mr Harris said nor did Mr Rae, if you recall. Mr Rae was the very first member, the leader who said that the transfer payments were unfairly administered when it came to Ontario's contribution and the amount of transfers going back to the province.

At a time when the demands for health care are expanding beyond any of our wildest dreams, I would say that I won't be supporting Bill 106. I am surprised—I am not surprised, really, that the Liberals said one thing prior to the election. It reminds me of the federal election in Ottawa years ago. The federal Liberals said they were going to cancel the GST. That's the track record. Trudeau did the same thing to—

Interjection: Wage and price controls.

Mr O'Toole:—wage and price controls. “No, no,” and that's the first thing he did. So you can't be trusted.

This bill is just the start, the slippery slope of more taxes. I expect, right after the Christmas break, that Dwight Duncan is going to increase electricity prices by at least 20% to 25%.

Mr Colle: Don't fearmonger.

Mr O'Toole: They are. You already did. You increased it a cent.

I'm going to give you another little math quiz here. They are going to increase the price by one cent. One cent is a 25% increase per kilowatt hour. If you increase it by one cent—

The Chair: Please stay with the issue at hand.

Mr O'Toole: The issue at hand here is a tax bill. This is a Ministry of Finance bill.

Interjections.

The Chair: Order. Continue.

Mr O'Toole: I know this government can't be trusted. It can't manage the OMA, it can't manage the OHA, it can't manage the delivery of health care or the collection of tax or the spending of tax. I think Mr Flaherty, in his remarks with respect to Ontario's competitiveness, has made an extremely good point. At that point, I'll be here to vote against this.

The Chair: Mr Colle?

Mr Colle: Just a couple of things here. I just want to say it's hard to understand what the position of the new John Tory-led party is on private health care, because you had the member from Whitby-Ajax saying he was in favour of private delivery, privatization. Then you had the member from Oshawa saying that we shouldn't be doing private delivery of service. So I'm not sure Mr Tory or their party has really worked that one out, but I'm anxiously waiting for that clarification.

I think there was a reference about calling a tax a premium. As the Minister of Finance said, this is a revenue-raising tool, and if you want to call it a tax, we're more than happy to hear you call it a tax or a premium. One of the reasons we call it a premium is we used to have what they called the OHIP premium and people still call it a premium.

The important thing is we're raising this revenue to transform the health care system, which is a system that

needs transformation. The status quo is not an option. We can't just keep feeding all the different silos in health care. We have to transform health care. We're categorically opposed to private delivery.

What we're trying to do with this revenue is ensure there is community-based care. That's why, with this health premium, we're giving money to the community health centres. This is why we're giving money to the family health teams. There are 120 underserved communities in Ontario without a family doctor. This money will be used to ensure there are community health teams that meet the needs of Ontarians.

The transformation of health care means that for the first time we've made universal immunization available for children. It's going right now. Poor families were unable to pay for vaccinations for chicken pox and meningitis. Now they're getting those vaccinations, immunizations that are saving people \$600. That's part of the transformation this health premium will be able to fund.

It's about creating shorter wait times. It's about hip replacements in a timely fashion. It's about knee replacements in a timely fashion. It's about cataract operations for seniors. That's where this money is going. It's not going into the old silos of past governments, and I think all governments have been guilty of that. We have to transform health care. There's a new health care agenda by this government, and it's a transformation agenda.

This money will go toward providing those monies for home care. We've made a massive investment, over \$190 million, in home care, because hospitals can't be one-stop shopping centres for health care. You have to have it in the community. You have to have it with home care.

We're saying you have to put money into prevention. That's why we've made a major investment in public health for the first time after many years of neglect, so you prevent the diseases and you don't expect the doctors and the hospitals to treat disease after the fact with more medication, more tests.

Prevention, public health, community health care, community health care centres—I have two in my own riding: the Anne Johnston centre and the Bathurst Heights community health centre. We should have more of them. This budget increases that. The health premium will help fund these programs.

I know it's difficult to accept change and it's difficult to understand change, but we're going to have to change if we're going to provide the services that Ontarians are demanding and need. That's what this premium enables us to do. It's not in any way anything else but an attempt to say to the people of Ontario that health care needs to be funded, that it is not free, that it has to have a revenue source.

I disagree with the members opposite, especially from the Conservative Party, who think we've got to find a way of spending less in health care. If you look at the per capita expenditure on health care across this country, you'll see that Ontario, over the last number of years, has not kept up, and we're the richest province.

One of the reasons, and I think the member for Oshawa referred to it, is that there is a lack of federal

fiscal fairness in the way Ontario is being treated. We have an outflow of \$23 billion to the rest of the country every year; \$23 billion above and beyond what we get back in federal programs and funding flows out of Ontario. We have to find a way of ensuring that some of that money is kept in Ontario so that we can invest in post-secondary education and health care, as we should for Ontarians.

I don't think it's a matter that we spend too much on health care in Ontario. I think we have to find a way of keeping our hard-earned tax dollars here in a fair way so that Ontario can continue to be the engine of the country, but we have to continue to invest in maintaining this engine and expanding the engine's capacity. That's the root cause we're going to deal with in the Ministry of Finance in some of the initiatives we'll be announcing in the near future.

1050

The health premium is an investment in the transformation agenda. It's not an investment in the old health silos and health bureaucracies. It's getting health care on the street. It's getting health care to our seniors. It's getting health care to the new family health teams and making sure people don't wait for cardiac treatments, for chemotherapy. That's where the money's going.

I wish we had more money to spend. It's difficult to raise this revenue through this health tax premium, but we've got to do it because we're not going to wait and let Ontarians suffer for that cardiac care. We're not going to wait for remote communities in northern Ontario to sit there without a doctor or a nurse. This is an investment in that transformation agenda.

The Chair: Thank you. Shall section 9 carry? Carried. *Interjection.*

The Chair: We've completed section 9. Any comment on section 10? Shall section 10 carry?

Mr O'Toole: Recorded vote.

Ayes

Brown, Colle, Delaney, McNeely.

Nays

O'Toole.

The Chair: Carried.

Any comment on section 11? Shall section 11 carry? Carried.

We'll now move to schedule A.

Mr Colle: What about section 12?

The Chair: Section 12 is affected by schedule A.

Mr Colle: Can we have a recorded vote on section 12?

The Chair: You could.

Mr Colle: I request a recorded vote on section 12 of schedule A.

The Chair: We should deal with schedule A first.

Mr Colle: OK.

The Chair: We will move to schedule A, section 1. Comment? Shall schedule A, section 1, carry? All in favour? Opposed? Carried.

Shall schedule A, section 2, carry? All in favour? Opposed? Carried.

Shall schedule A, section 3, carry? All in favour? Opposed? Carried.

Shall schedule A, section 4, carry? All in favour? Opposed? Carried.

Now we can return to section 12.

Mr O'Toole: Chair, I have a question on that. I'm somewhat familiar. I just want to make certain that Mr Colle explains the changes to the Trust Beneficiaries' Liability Act. As I understand it, it's a jurisdictional issue.

Mr Colle: Just a brief explanation of the Trust Beneficiaries' Liability Act: As you know, there were some concerns raised over the last couple of years about the liability of an investor in an income trust; that the fact is, by investing in an income trust, they could be liable for certain actions undertaken by the trust. So an individual investor or a group of investors could be liable under the act. There was a request that this liability be restricted for investors, and this is what section 12 does; it restricts that liability.

The Chair: Thank you.

We have to return to schedule A. We dealt with sections within it; now I have to ask the question. Shall schedule A carry? Opposed? Carried.

Now we go to section 12. Shall section 12 carry? All in favour?

Mr Colle: Recorded vote.

The Chair: A recorded vote was requested previously.

Ayes

Brown, Colle, Delaney, McNeely.

The Chair: Opposed? Carried.

Section 13: Comments? Mr O'Toole.

Mr O'Toole: I'll be quiet until you're finished the bill.

The Chair: No further comment? Shall section 13 carry? All in favour? Opposed? Carried.

Shall section 14 carry? All in favour?

Mr Colle: On a point of order, Mr Chair: When do I get to move my motion to change the title?

The Chair: That's next.

On section 14, you have a comment, Mr O'Toole?

Mr O'Toole: I have a resolution on the order paper that some members might be aware of, and this is in violation of that resolution. This is a retroactive tax. Not only is it \$50 a month—figure it out now, Mr Brown; I want you to understand this—times 12 months or more, but it's retroactive. That's the sad part of this: January 1, 2004.

The Chair: Thank you.

Shall section 14 carry? All in favour? Opposed? Carried.

We have a government amendment under the title.

Mr Colle: I have a motion that the long title to the bill be struck out and the following substituted:

“An Act to implement Budget measures.”

The Chair: You’re moving that?

Mr Colle: I’m moving that motion.

The Chair: Any comment? All in favour? Opposed? Carried.

Shall the title of the bill, as amended, carry? All in favour? Opposed? Carried.

Shall Bill 106, as amended, carry? All in favour? Opposed? Carried.

Shall I report the bill, as amended, to the House? Carried.

Mr O’Toole: I have a question, Chair. I was at a meeting at 10 o’clock this morning. My schedule says there was a subcommittee meeting.

The Chair: This will be next.

SUBCOMMITTEE REPORT

The Chair: We have to now move a subcommittee report.

Mr Colle: I move the standing committee on finance and economic affairs’ report of the subcommittee.

Your subcommittee met on Thursday, December 2, 2004, to consider committee business and recommends the following:

1. That the committee invite the Minister of Finance to appear at 9 am on Thursday, December 16, 2004.

2. That the Minister of Finance be offered up to 20 minutes for a presentation, followed by 25 minutes of questions and comments by committee members.

3. That the 25 minutes for questions and comments be divided equally among the three caucuses.

4. That the clerk of the committee distribute responses received as a result of the committee’s January 27, 2004, motion to forward Sherkston Shores’ request on the assessment of recreational vehicles in campgrounds to all affected municipalities for their comments.

5. That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee’s proceedings.

The Chair: All in favour? Opposed? Carried.

Mr O’Toole: If I could just ask a question of Mr Colle. We’ve worked very patiently on the side issue of Sherkston Shores, which we dealt with in last year’s pre-budget consultations on the campground trailer tax issue, and I’m just wondering if you could give us a small update on it. I’ve just recently had other correspondence on it. I haven’t mentioned it in the House or anything.

Mr Colle: The discussions have been forwarded on to include AMO, and they’re getting their feedback.

Mr O’Toole: I spoke to the chair of AMO, Roger Anderson, who happens to be the chair of Durham as well, and they seem to feel that it’s agreeable.

Mr Colle: We’re waiting for their response.

The Chair: I would remind the subcommittee that there is a meeting this afternoon at 3:30 or after routine proceedings, and Mr Prue is not here to take part.

This meeting is adjourned.

The committee adjourned at 1101.

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Jeudi 16 décembre 2004

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 16 December 2004

Jeudi 16 décembre 2004

The committee met at 0900 in committee room 151.

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. This morning, committee, we have the Ministry of Finance. We have the Honourable Greg Sorbara, Minister of Finance, here in the room, as well as some staff.

Minister, you have an opportunity to address the committee and, under our agreement with all three parties, there will be some time for questioning. We have until about 9:45. So you may begin, and I would expect that if those at the table were to speak, they should identify themselves.

Hon Greg Sorbara (Minister of Finance): Thank you, Mr Chair. Good morning, on this final day of the session, to my colleagues in the Legislature. It's a pleasure for me, now for the second time, to be here to launch this committee's pre-budget consultations.

As you know, and I've learned, the committee plays an important role in the lead-up to the spring budget. I want to tell you that the upcoming budget is the next phase in our four-year plan to grow a stronger and more prosperous economy, to responsibly manage Ontario's finances and to improve the health and education of our people.

I want to tell you that our investments in health and education are already yielding concrete results. Through innovation, strategic investments and renewed infrastructure, we really are creating a new generation of growth in Ontario. Ontario, as you know, is the economic engine of Canada. By the way, we are calling on Ottawa to partner with us to help keep—this engine, this Ontario, well-tuned.

You should know that each year Ontarians pay \$23 billion more to the federal government than we receive back in federal programs and transfer payments to our citizens. After seven consecutive surplus budgets, I believe it's time for Ottawa to invest more in Ontario, especially when it comes to post-secondary education, child care and infrastructure that supports our economic growth.

This morning, as promised in last fall's economic statement, I want to provide an update on our govern-

ment modernization project. I'm also going to recap, by the way, our current financial situation and the economic outlook, and talk about the government's priorities and challenges.

Last spring's budget, as you know, set out a four-year comprehensive plan to restore the province to financial health. Central to this plan is the elimination of the structural deficit which has added so much already to the provincial debt. That debt should be seen as a mortgage weighing upon future generations of Ontarians. You should also know that it limits our priorities today, with interest charges crowding out funding for services and programs. I've said this before, but it's worth repeating: Servicing our provincial debt costs 13 cents of every dollar that we spend. That's more than \$10 billion every year. That's more than we provide for social services, that's more than we spend on justice, and it's almost as much as we spend on education.

Let's have a look at the economy. The economy in Ontario is creating jobs. It's expanding and it is performing pretty much as we projected in last May's budget. So, for example, in the first 11 months of this year, Ontario's full-time employment climbed by 2.3% over the same period in 2003, and that translates into 116,200 more full-time jobs for Ontarians. However, our provincial economy is expanding at a somewhat slower pace than the Canadian economy as a whole. I need to mention as well that the Canadian economy slowed slightly in the third quarter, to a growth rate of 3.2%. That was as reported by Statistics Canada.

Our growth projection in the budget, in the fall statement, was quite cautious. It called for growth of 2.3% compared to the private sector consensus of 2.6%. Forecasters in the private sector are now reworking their projections for 2005. We are beginning to see slower economic momentum translate into lower growth forecasts both for Canada and for Ontario in 2005. Of course, we're going to take that information into account as we develop realistic and prudent forecasts for the budget.

Just let me say a word on the Canadian dollar. There's no doubt that its sudden rise will impact jobs and economic growth going forward. The dollar reached a 12-year high in November, surpassing 85 cents US. As I've said before, that's good news for consumers who are buying imported goods and it's good news if you're travelling down south for a holiday, but it's tough for Ontario businesses that are exporting goods and services to the US and beyond, to around the world.

We all know that monetary policy and the Canadian dollar is the exclusive purview of the Bank of Canada. However, it's critical that we keep our eye on the risks in Ontario associated with a higher dollar. In that regard, I must say that I was heartened by the Bank of Canada's recent decision to hold interest rates steady, because it relieved some of the upward pressure on our dollar and therefore on our businesses.

We're nearing the end of our fiscal third quarter and all signs point to being on track in terms of our May budget projections. As of September 30, a deficit of \$2.2 billion was projected for 2004-05. It's an improvement of \$71 million from the deficit that we projected in the spring budget. For 2004-05, I want to remind the committee that the deficit targets include a one-time revenue gain of \$3.9 billion related to the projected elimination of the liability for power purchase agreements with non-utility generators.

Adding to the recently passed legislation that puts the new electricity market into place—that's Bill 100, I think—full costs will be passed to consumers, and this liability will therefore be eliminated. By the way, we're continuing to work closely with the Auditor General's office to ensure that we satisfy all of the requirements for this accounting treatment.

0910

An important part of our fiscal plan is spending restraint. In order to preserve and enhance valued programs and return the province to financial health, we must control spending and we must modernize this government. The May budget initiated this process. I want to tell the committee members that we are proceeding in a focused and disciplined way down this road. I want to remind the committee that the project has three goals:

- (1) to find \$750 million in savings by 2007-08;
- (2) to control long-term costs so we can meet the public's demand for improvements to health and education; and
- (3) to create a more modern and efficient government with higher quality public services.

Over the fall, we conducted a line-by-line review of all ministries' budgets and their business plans. We also reviewed, by the way, ideas submitted by the people who work for this government in the Ontario public service. I mention that because I want to make the point that this is not a political exercise. This is a matter of exercising government responsibility.

I'm pleased to report that, to date, we've been able to identify \$350 million in savings. That, by the way, is almost half of our 2007-08 target of \$750 million or three quarters of a billion dollars in savings.

Our review of internal government business support services has identified \$200 million in achievable savings. Our goal in this area is to put in place better, streamlined purchasing practices so we can reduce the total procurement costs by 10%, based on the current spending levels, and to make that reduction by 2007-08. We believe this is a reasonable, realistic target, based on our experience to date.

Can I just give you a small example: Just last month the government re-tendered its courier services. We expect to save \$2.5 million under a new contract. Within my own ministry, in response to ideas submitted by Ontario public service employees, we're piloting a paperless pay stub system. This is cost-effective for government and more user-friendly for employees. Can I just explain? Each of us has electronic payments for the salary that we receive go into our bank accounts, and each month, for some reason, we receive as well an envelope with all the data on a paper copy. In our ministry, we're piloting a project that simply eliminates the second part of that pay process. When that's fully implemented across government, we're expecting to save approximately \$600,000 on this one item alone.

On a larger scale, we have identified a number of opportunities to achieve efficiencies when it comes to technology. Continued consolidation of information technology services and applications across ministries is going to save us \$100 million. Just one example: Right now there are more than 200 Web sites, administered by more than 20 ministries and their agencies. IT consolidation in this area will save money, reduce the total number of government Web sites and improve service to the public.

Beyond technology, we expect that the Ontario Realty Corp will help ministries trim accommodation costs by some \$50 million with a new strategy that aligns our real estate needs with government priorities. This will improve management of real estate assets and retrofit buildings to reduce energy consumption.

I also remind committee members of other savings we have made or identified over the course of the past year. Just two years ago, there were at least 17 incompatible core financial systems and almost 100 smaller systems in use across the Ontario public service. This meant that producing financial reports and statements was labour-intensive, time-consuming and complicated. I'm pleased to tell the committee that this past October, for the first time, all ministries have moved to one, integrated financial information system. Around our shop, it's known as IFIS. I think it's a truly great accomplishment, and it's work that has been going on over the past two years. IFIS will provide better and more timely information and will support improved decision-making and financial management.

I want to take you back to the Provincial Auditor's report of 2002. It identified numerous concerns about government's use of consultants. Following the auditor's advice, we have reduced the Ontario public service's reliance on outside consultants and will be achieving savings of about \$17 million a year.

I also want to remind the committee that the government has made good on its commitment to eliminate partisan advertising, and this is going to save Ontarians at least \$10 million a year.

I probably don't have to remind you that we've frozen MPPs' salaries, we've frozen the salaries of political staff and, finally, we have cancelled bonuses this year and

frozen compensation for the government's senior civil servants—a tough decision.

Roughly 80% of the government's program and capital budget of \$70.1 billion goes out in the form of transfer payments to hospitals, colleges, universities, school boards and other agencies. Through recently passed amendments to the Audit Act, we've expanded the Auditor General's mandate to include value-for-money audits on all of those entities. We also have given the Auditor General the right and responsibility to audit crown-controlled corporations such as Ontario Power Generation and Hydro One. We believe profoundly that accountability and transparency are essential in creating value for Ontarians.

We're also working with our transfer partners to improve their procurement processes. OntarioBuys was set up in the 2004 budget and is working closely with hospitals to improve supply chain management. Ontario hospitals are huge consumers of supplies and equipment—about \$3 billion per year. A large teaching hospital spends more than \$100 million on goods and services, and a mid-sized community hospital spends about \$25 million. The benefits of OntarioBuys supply chain management strategies will not only be used in the hospital sector but will be applied as well to universities, colleges and school boards.

I want to tell you that we're at a point in our review where we've identified other modernization projects as well, and we're continuing to work to quantify specific savings. Let me give you a couple of examples. We're working to improve regulation and enforcement practices. We're moving to a more modern, risk-based approach to focus on businesses that are chronic violators. We're also providing business with easier access to information through the Ministry of Labour's Workplace Gateway. That's going to be available through the ServiceOntario Web site. These efforts are going to result in better services for business and better value for Ontarians.

0920

We're working to improve front-line services to the public. Last week you heard that Jim Watson, Minister of Consumer and Business Services, has taken steps to respond to the public's frustration with birth certificates. Minister Watson announced a new feature of ServiceOntario designed to cut the wait time for birth certificates and improve customer service.

We're also working closely with our counterparts in Ottawa to improve services, strip out duplication and save taxpayers' money. Last month, we announced that the Ontario and federal governments will begin working together to design a single tax collection system for both Ontario and federal corporate taxes. The two governments will soon announce comprehensive agreements on labour market services and immigration.

Let me just say a word now about Ontario's contribution to keeping Canada strong. This year, Ontarians will contribute almost \$85 billion to federal revenues. As I said earlier, Ontario residents and businesses contribute

\$23 billion more to the federal government than we receive in federal programs and transfers each and every year. Since 1997-98, the year the federal government began running surpluses, Ontario's cumulative net contribution to Confederation has been about \$174 billion. I repeat: The cumulative net contribution is \$174 billion.

Ontarians have always believed in Canada's equalization ideals; there is absolutely no doubt about that. But I want to tell the committee that after seven consecutive federal budget surpluses, Ottawa is in a position to do more to support economic growth in Ontario. I want to reiterate that the recent federal health care agreement, in which our Premier played such a pivotal leadership role, represents an important step for both governments in this regard, but much more is required. The federal government needs to provide more support through the Canada social transfer for post-secondary education and social programs. This, by the way, is particularly important as Ontario awaits the Rae report on Ontario's post-secondary education system. Enhancing that system will be a key element in ensuring that Ontario remains strong.

One of the ways that Ottawa can help Ontario is by improving the fairness of transfers it sends to the provinces. This year, Ontario will receive \$445 million less than if the Canada health transfer and the Canada social transfer were distributed on an equal per capita cash basis to all provinces. Again, since 1996-97, it's estimated that Ontario has lost almost \$6 billion because of this one inequity. So we're calling on the federal government to form a critical partnership with us to ensure that Ontario remains the engine of economic growth in Canada. In particular, we see this critical partnership as a priority for funding post-secondary education, as I've just discussed, child care and building new infrastructure.

There are a lot more difficult decisions to come.

Most of our budget and the public's tax dollars are spent on compensation costs, health care and education. I want to tell the committee members that we are working hard with our partners in the Ontario public service and the broader public sector to find the right balance at the bargaining table. We are looking to senior executives in the broader public sector to follow the example we have set with senior civil servants in Ontario.

This committee is off for its second series of pre-budget hearings. I believe that the first series last year was a great success and was very helpful in budget preparation. I'm simply going to suggest, as you travel the province and meet with a variety of groups, that there are some questions of particular interest to us and, I think, to Ontarians. I'm suggesting that you may put these seven questions to deputants who appear before you to encourage discussion. I'll just go through them quickly:

(1) What other measures could be implemented in Ontario to constrain spending and modernize government?

(2) Where else can duplication and waste be eliminated?

(3) What other measures could be implemented to streamline regulation and enforcement and improve service to the public?

(4) Where there is a desire to increase spending, what monies should be reallocated from other areas to fund those increases?

(5) What else can the Ontario government do to inspire new economic growth?

(6) How can fiscal transparency and accountability be further improved?

(7) How should the federal government partner with Ontario to ensure that this province remains the engine of the nation's economy?

In conclusion, I want to wish you well in your deliberations. I want to express my appreciation for the opportunity to begin with these remarks and the opportunity to update you on our plan to grow a stronger economy in Ontario, to better manage our financial resources and to improve health care and education in the province.

I want to tell members of the committee that we are determined to stay on course. I want to tell you that I believe the input from this committee, and from Ontarians generally, will help us in the work that we're doing.

Today I've had an opportunity to give you an update on the modernization of government and to tell you that we're making good progress, but I need to tell you as well that much more needs to be done and there are more difficult decisions and difficult issues to address down the road.

But I want to end by reminding you that this government does things in a different way. We work with others. We listen. We believe in a balanced approach. But make no mistake, we're a government of action, we're a government with a plan, we're a government that is willing and able to make bold and decisive moves to improve the lives of the 12.5 million people for whom this great, expansive geography is home.

Merci beaucoup. Thank you very much. I look forward to your questions.

The Chair: Thank you very much, Minister, for your presentation before the committee this morning. As per the agreement, there will be about 25 minutes for questioning, so that would allow for about eight minutes per caucus. We'll begin with Mr Flaherty.

Mr Jim Flaherty (Whitby-Ajax): Minister, we're going to use our eight minutes together, Mr O'Toole and I. We hope to get some answers from you subsequently, because you've already used about 20 or 25 minutes here this morning.

I see at the end of your statement that you're saying you have a plan and you're a government that is willing and able to make bold and decisive moves to improve life for the 12.5 million who call Ontario home. The only decisive moves we've seen as a result of all these consultations last year by this committee and the pre-budget consultations by your ministry is the largest tax increase in the history of the province of Ontario, a \$2.6-billion tax grab, which no one asked for during the consultations

that went on last year, and a spending spree in excess of \$4 billion by your government.

If those are the kinds of bold and decisive moves you consider progressive in Ontario, then our economy is going to continue to underperform, which you have just described. It's not performing at the levels predicted by your government and it's performing at less than the Canadian average economic growth, which is not much of a record to be proud of, quite frankly, as the Minister of Finance of Ontario.

"We need to reach higher in this province." You sound like David Miller from the City of Toronto here this morning. You've got your hands out—

Mr Mike Colle (Eglinton-Lawrence): Come on, don't insult the minister.

Mr Flaherty: We'll get to you about your automobile insurance in a moment, Mr Colle, and your promise about consultations, which only go till January 7. We'll get to that in a moment, the unwillingness of your government to consult.

The point is, Minister, you seem to be relying on the federal government to bail you out. You sound like David Miller coming to the provincial government saying, "Please bail me out." What the people of Ontario expect is for you to be fiscally responsible, not to have your hand out to the federal government.

What we need in Ontario, what we need nationally in this country, is tax reduction. There is a huge tax burden on individuals in this country and on the businesses of this country. Instead of talking about bailing out Bombardier, we should be talking about reducing the tax burden on our businesses.

0930

Tax policy changes the economy. It changes behaviour by small businesses and larger businesses. I just wish fervently, for the good of the quality of life in Ontario and our standard of living, that you would listen this time, which you did not do last time, to the consultations we hear around the province about reducing the tax burden and then investing in what people actually care about: transportation and infrastructure, on which your government has totally dropped the ball for 14 months now. We need transportation. When I take the GO train, I hear that they want transportation support, Minister. They want some capital investment in the province of Ontario. That's what they ask for. The bailout by Ottawa: Good luck. I guess that's going to be the refrain.

You're counting on restraint in the Ontario public service and in the school boards. There's a letter now from Mr Kennedy to the school boards, interfering in the collective bargaining process, in which he talks about the teachers limiting their demands to 2%, 2% and so on, going forward. I hope you have a contingency plan. His letter is clear evidence of the intention of your government to impose wage controls. I assume you have a contingency plan, because when the teachers don't agree to that, and when the nurses have their arbitration award in February or March, then you'll know what the increases are going to be. They're on page 62 of your

budget document—hospital nurses, elementary and secondary school staff. The cost of a 1% salary increase for elementary and secondary school staff, \$115 million; the Ontario public service, \$45 million; nurses, \$34 million; OHIP payments to physicians, with whom you still have not settled despite the bullying by the Minister of Health, \$58 million.

I hope, Minister, that you, your government and your ministry are creating some sort of contingency plan to control the spending side of the equation. On the revenue side, I certainly hope that you will undertake to this committee and to the people of Ontario that you will not increase taxes further, and that you will indeed move to reduce the tax burden on the hard-working people in Ontario and not simply depend on a bailout from Ottawa.

On post-secondary education, I regret to read what you said in here and what you've said here this morning. What you've basically said is that you're going to get Mr Rae's report at the end of January and you're not going to do anything with it unless the federal government bails you out with more money. You shouldn't have appointed Mr Rae to undertake this very important study for the future of Ontario if you're not prepared to make a financial commitment with respect to post-secondary education, over and above what it is today. That requires that you do your job as Minister of Finance. It requires that you actually undertake the reviews you promised in your budget.

Where's the review on better management of provincial assets? The government will undertake a major review of provincial assets: That is what you said last May. Where is it? We haven't seen it yet. Where is the third-party, independent operational review of the LCBO? You said you were going to do it in the budget last May. Where is it? We still haven't seen it. As far as we know, you haven't even appointed anyone to do it, and this is December 16, 2004.

If you're serious about fiscal responsibility and about controlling the expansion of government and the so-called structural deficit, then you would have taken these steps by now, but all we get is more words, a repeat of the same stuff that was in the budget and in the economic statement.

What has happened, though, is that performance is going down. We know that retail sales tax is down from budget expectations. We know our economy is growing, as you've already said, at a pace that does not match expectations. We know that's going to affect—

Mr Colle: Doom and gloom.

Mr Flaherty: It's not doom and gloom. These are numbers. This is the finance committee. We're supposed to look at numbers—the minister responsible for automobile insurance who doesn't believe in consultations, over there.

Mr John Wilkinson (Perth-Middlesex): Do you have a question in there?

Mr Flaherty: There are lots of questions. I've raised a whole series of questions. Mr Wilkinson should mark them down, because these are going to be important

questions that are going to be raised during the pre-budget consultations of this committee.

The real question is whether the minister is going to listen and whether the government members, quite frankly, are going to listen and put some pressure on the minister, in caucus and so on, to actually walk the walk and do what he's supposed to do, and that is be fiscally responsible in the province of Ontario, not to increase taxes further, which was the answer last year, and not to increase spending further, which was the answer last year.

This is just the tax-and-spend nonsense that put Ontario in a terrible position by 1990, such a bad position that the people of Ontario threw out the Peterson government and had to actually move to the NDP in desperation because of the sad situation.

So on taxing and spending, I say to the minister, I hope you'll listen. This committee is going to spend a lot of taxpayers' money in the next month travelling around Ontario listening to the genuine concerns of people across the province. I hope we will have your undertaking to actually listen this time. Mr O'Toole?

The Chair: Thank you. Your time has expired.

Mr Flaherty: Oh, no.

The Chair: I'll move to the NDP.

Mr Michael Prue (Beaches-East York): I do have some questions, so I hope the minister will be listening. But before I do, I really have to speak about the number of individuals who came before this committee the last time around talking about tax cuts. I remember precisely two, and I attended every single meeting save and except the one in Thunder Bay. I only remember two people talking about tax cuts. I do remember hundreds not talking about that.

Anyway, be that as it may, my first question has to do with the surplus budgets in Ottawa. It's commendable you want to go and look for more money, but I have a question—a tough question, I think. Why would Ottawa want to give Ontario more money when they give money for child care and you claw it back, they give money for housing on a matched basis and you don't spend our portion? Why would Ottawa be interested in giving us more money, given what you do now?

Hon Mr Sorbara: First of all, on the child care claw-back, I'd just refer back to my budget and the announcement that we did not claw back the increment that was attributable—

Mr Prue: It was 3%, yes.

Hon Mr Sorbara: —to the 2004-05 year, and I want to tell you that we are looking at a wide variety of mechanisms to improve the support of children, particularly Ontario's most vulnerable children.

But just on the broader question of our relationship with the federal government, I'm very optimistic, particularly given that we share political values with the federal government, that this can be an historic time for improved relationships and improved investments in Ontario over the course of the next four or five years.

We are about to sign an immigration agreement. That kind of agreement has been pending for years in Ontario. On that subject, let me just point out an anomaly in Canada. The province of Quebec has an immigration agreement with the federal government. Under that agreement, Quebec receives some \$3,200 per immigrant in settlement costs. The equivalent in Ontario is \$800 per immigrant. Where are the vast majority of new Canadians coming to? They're coming to Ontario, and the vast majority who come to Ontario are settling in the greater Toronto area. We have to do a lot more in settlement, and we can do that with the new agreement. I expect an agreement will be signed. We're also looking toward signing a labour market agreement.

In my remarks, I simply mentioned post-secondary education, child care and infrastructure. In regard to the first two, they are governed by something called the Canada social transfer. While all the public emphasis has been put on the Canada health transfer, it's now time to look at the other major transfer.

The other item that I mentioned is infrastructure. We think the federal government should be playing a larger role in the construction of the infrastructure that will be the foundation for new economic growth. We are willing to do that with agreements that are pan-Canadian, we are willing to do that with bilateral agreements such as the COMRIF deal, the Canada-Ontario municipal rural infrastructure fund, and we are willing to do that in one-off investments, whether it be for rapid transit, water systems or the like.

0940

Mr Prue: Well, I didn't hear much there; I have to be blunt. The federal government has put forward lots of money for housing; the municipalities have ponied up their share. We have not. I just wonder, how much more do you—

Hon Mr Sorbara: I just want to respond to you that our Minister of Public Infrastructure Renewal is currently discussing a breakthrough housing agreement that will start to have that money flow. Listen, I know the history. I mean, there was a regrettable wall—perhaps political, perhaps administrative—between the government of Ontario and the government in Ottawa prior to October 23. We are systematically trying to tear down that wall and enter into agreements that are for the mutual benefit of the people of Ontario and the people of Canada.

Mr Prue: OK. Back to the Quebec example you used on immigration services: Quebec, since the early 1970s, has had its own immigration grid but, more importantly, in what they've done—if we're going to do this, if we're going to be serious in Ontario, I want to hear whether we're going to actually do what Quebec does; that is, go out and recruit our own immigrants, set up our own immigration visa officers in places around the world, actually select the immigrants and help them to acculturate and be recognized in Ontario. They do much more to recognize their immigrants in Quebec, be they doctors or lawyers or engineers. They have that whole grid system and they spend a lot of money to do it. Is this the kind of

thing you're saying we're going to do, or are we simply going to say, "They get \$3,200 and we want it"? I really need to know how serious your plan is.

Hon Mr Sorbara: Michael, I think the answer to that is, the immigration challenges in Ontario are different from those in Quebec. There are cultural reasons that we could discuss for hours. The issue in Ontario is not, "Can we find the right kind of immigrant for Ontario?" We have a marvellous flow of immigrants coming to this country from every corner in the world. We are not yet doing a good enough job in settlement; we are not yet doing a good enough job in recognizing the talents of foreign-trained professionals. But I personally don't think Ontario needs visa officers to say, "Yes, you can come," to one person and, "No, you can't come," to another person. We want to encourage as many people as Ontario can absorb to come to this province, but at the same time we want to have the supports necessary to ensure that those immigrants become integrated into the Canadian economy and Canadian society and Canadian culture as quickly as possible.

Mr Prue: I hear that, but what that tells me is we're going to have half a system.

Hon Mr Sorbara: No.

Mr Prue: We're not going to end up something like Quebec. OK.

The Chair: You have about a minute left.

Mr Prue: One last one, then. You say the Ontario and federal governments will begin working together to design a single tax collection system for both Ontario and federal corporate taxes. Do you not think that the staff who work in Ontario have saved this Ontario government millions, perhaps billions, of dollars in their auditing, and that if we leave this all to the federal government we are going to miss a lot of mistakes that are happening in Ontario? I'm very worried, because I think that probably the best bang we get for our buck from any civil servant is from our auditors, who find where we're not spending it well.

Hon Mr Sorbara: I would agree with you completely that those who have worked in corporate tax collection and auditing in Ontario have served this province magnificently. I think they carry a very high standard to their work. As we negotiate a transfer of that responsibility, we are going to be insisting that those same high standards characterize the collection of Ontario corporate tax. I don't have the expertise to compare on a line-by-line basis the overall capacity of the Canada Revenue Agency, but I should think that they are doing a pretty good job of collection of corporate tax on behalf of the federal government.

The other thing to point out is that in Canada it is only the provinces of Alberta, Ontario and Quebec that have separate corporate tax collection systems provincially, so this is not revolutionary in the tax administration of the country. I wouldn't be surprised if perhaps Alberta might want to consider the same thing, although right now they're just flush with resources and perhaps they don't need to go through the rigorous modernization exercise

that we are in Ontario. I think that the province of Quebec will continue to have its own system for many years to come.

The Chair: We'll move to the government.

Mrs Carol Mitchell (Huron-Bruce): Minister, I certainly welcome the opportunity to allow my voice to be heard through the committee and through other measures.

I just want to make a couple of comments with regard to the bailout comment and remind our fellow Ontarians that the federal government receives more than \$23 billion that we do not receive back in Ontario. So we're not talking about bailouts; we're talking about critical partnerships. I would like to remind the opposition that we're not talking about bailouts. Maybe he forgot his numbers for just one little minute.

I would like to thank the minister for the opportunity to expand on the critical partnership that will be formed with the federal government and, more specifically, with regard to infrastructure.

I would also like to remind the committee that I come from a rural community, as I know that the minister knows. Further to the comment that the previous opposition member did make with regard to all the investments that they made into the communities and, more specifically, the municipalities—as you know, I come from that background and I really must say that our rural communities have, for the past decade, been hurt very hard by the lack of commitment from governments at all levels. So I applaud the initiative to move forward with our critical partnership.

My question specifically is to expand on the infrastructure.

Hon Mr Sorbara: I thank Mrs Mitchell for the question.

Let me just give you a little bit of a political background. I'm just reflecting my own impressions from the way in which Ontario, as led by our Premier, participated in both the health care summit, as it was called, and the federal-provincial meeting on equalization. There are two things to note there.

First of all, there was a quality of leadership that made me very proud. There was a point where the Premier, on the equalization discussions, said, "Look, we are not going to sit around here for two weeks fighting about stuff when there is a valid agreement on the table, as presented by the federal government." That pretty much was conclusive of the matter.

On the health care agreement, I am convinced that that meeting would have ended without agreement had it not been for the interventions of the Premier of the province.

I point to those two things because good working arrangements really have a strong foundation in strong personal respect and strong personal relations. I have that kind of relationship with Minister Goodale. We feel free to disagree with one another, to call one another on a moment's notice and to express concern. I know that the Premier has that same relationship.

Of course, it's not just relationships that you need; you need a context. I know that there is fiscal imbalance in this country. Every provincial government has referred to it. There is no doubt that, with the exception of Alberta, each government in Canada is struggling to balance the budget and is going through the same kind of exercise that we are.

At the same time, the federal government is enjoying the benefits of surplus. I think surpluses are great, and I intend that, sometime in the near future, Ontario is going to talk about its surplus.

Mr John O'Toole (Durham): You've got three years left.

Hon Mr Sorbara: Is there an echo in this room? Is it the microphone?

Mr Wilkinson: It's the ghost of Christmas past.

Hon Mr Sorbara: "Past," I think, is the operative word.

0950

Mr O'Toole: I have a small gift here, a small piece of coal. Minister, I want to present my Christmas gift—

Mrs Mitchell: I take it that you're not interested in hearing the answer to the question I put forward, Mr O'Toole.

Hon Mr Sorbara: I want to say to Mrs Mitchell that, of the various things that we need to agree on, we need to agree on improvements in the funding of infrastructure. I think we need to do that significantly in rural Ontario.

In my own pre-budget consultations last year, I heard about the inability of smaller, more rural municipalities to undertake projects as simple as the repair of bridges. We have not fixed all of that in the first budget nor have we reached a conclusive agreement that will fix all of that with greater federal participation, but it is one of the elements that is going to drive our negotiations. I think the COMRIF agreement is going to be of significant help, and I agree with you that more needs to be done.

The Chair: You have about one minute. Mr Wilkinson?

Mr Wilkinson: In the spirit of Christmas, we will not characterize the member for Whitby-Ajax, who participated in the largest gutting of public services in the history of Ontario. Despite the fact that the people of this province soundly rejected your legacy, and your own party has rejected you twice in the short order of a few years, you want to come in here and talk about a lot of different things—

Mr Flaherty: You hurt my feelings. You really hurt my feelings.

Mr Wilkinson: Well, you want to put it on the table—Christmas past.

Minister, could you update us on OSIFA? In my own riding, COMRIF is something, but OSIFA has been very well received. I know this is innovative, and I was wondering if you could comment on how that program is going.

Hon Mr Sorbara: It's a good question, because it follows on the question on infrastructure. I mentioned

COMRIF because Mrs Mitchell was asking about the federal relationship.

OSIFA, or the Ontario Strategic Infrastructure Financing Authority, is perhaps the most significant element in the budget to assist municipalities with financing of infrastructure. What it does, in a word, is use the borrowing power of the province to provide much lower financing for municipalities to undertake water system construction—infrastructure of a wide variety, including bridges and roads.

One of the things that I think is an important and perhaps underpublicized element of OSIFA is that the same model is going to expand to other parts of the broader public sector, including universities and colleges, hospitals, and school boards as well.

It's consistent with the notion of modernization. It's consistent with the notion of the province partnering with local municipalities to provide assistance. I think we've already announced some \$1.5 billion in OSIFA funding. There is more to come, I hope even before the end of the year.

The Chair: Thank you, Minister, for appearing before the finance and economic affairs committee this morning as we prepare for our pre-budget consultations.

Mr O'Toole: Mr Chair, on a point of order: Minister, in all respect—

The Chair: That's not a point of order. There are no displays allowed in the committee room.

SUBCOMMITTEE REPORT

The Chair: We will now move to the report of the subcommittee.

Mr Colle: I'd like to move adoption of the subcommittee report of the standing committee on finance and economic affairs.

Your subcommittee met on Thursday, December 9, 2004, to consider the method of proceeding on pre-budget consultations 2005, and recommends the following 19—

Mr Prue: Dispense.

The Chair: Dispense. Shall the report carry?

Mr O'Toole: Chair—

The Chair: Yes, Mr O'Toole.

Mr O'Toole: We're quite content to follow the wishes of the government. We think it's important. That being said, for the consultations the week of the 17th, we wouldn't mind a day in Barrie. Barrie is a large, important—

Mr Colle: We already agreed to it. We've changed them four or five times. We've changed Whitby back and forth.

The Chair: We've agreed to these dates, is my understanding. The committee report—it has been dispensed. All in favour? Carried.

This committee is adjourned.

The committee adjourned at 0954.

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**Standing committee on
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Pre-budget consultations

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Monday 10 January 2005

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Lundi 10 janvier 2005

The committee met at 0907 in the Water Tower Inn, Sault Ste Marie.

ELECTION OF VICE-CHAIR

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. We have our first presentation at about 9:15. We have time for some organizational matters, and I understand there is something before us.

Mr John Wilkinson (Perth-Middlesex): For the benefit of the committee, I submit my resignation as Vice-Chair of the committee. That will be the first item.

The Chair: We've accepted your resignation. Therefore, the committee currently does not have a Vice-Chair.

Mr Wilkinson: Then I would nominate Mr McNeely to be the Vice-Chair of the committee.

The Chair: Mr McNeely has been nominated. Further nominations?

Mr John O'Toole (Durham): I nominate Toby Barrett.

Mr Toby Barrett (Haldimand-Norfolk-Brant): I wish to thank my nominator, but I decline.

The Chair: Mr Barrett has declined.

All in favour of the nomination of Mr McNeely? Carried. Congratulations.

The Chair: Are there any other matters for the committee prior to beginning our presentations?

Mr Wilkinson: I would ask for unanimous consent that the Association of Municipalities of Ontario and the Ontario Federation of Agriculture be allowed to present in Kingston.

Mr O'Toole: I would like to comment on that. I've been in touch with the Ontario Federation of Agriculture and they somehow missed the deadline, as did the chair of the Association of Municipalities of Ontario, Roger Anderson, chair of Durham region. I was in touch with him over Christmas. He was unaware that he wasn't on the list. I had seen the list courtesy of the Clerk's office; very supportive.

I also want to bring up that the corn producers have been in touch with me, the region 4 people specifically. The president of region 4 was at my levee yesterday and said that they weren't on the list as well. I'd like to make sure the clerk looks into that.

The Chair: So you're adding the corn producers to the list of OFA and AMO?

Mr O'Toole: Yes.

The Chair: Is it the corn producers of Ontario or is it a local branch?

Mr O'Toole: It was region 4 that specifically spoke to me.

The Chair: So the motion would be that they are invited to Kingston if they wish to come?

Mr Wilkinson: My understanding was, Kingston or London would be convenient for either of them.

The Chair: Kingston or London. Further discussion? All in favour? Carried. Very good. We can get that out to them as soon as possible, which is why I preferred doing it this morning rather than later today.

PRE-BUDGET CONSULTATIONS

ALGOMA DISTRICT
ELEMENTARY TEACHERS

The Chair: Seeing no further organizational matters, are the Algoma District Elementary Teachers here? Would you mind beginning your presentation this morning?

Ms Gayle Manley: I don't mind at all.

The Chair: Very good; thank you. Good morning. We appreciate you coming forward a few minutes early. The committee is pleased to be in Sault Ste Marie today and to welcome all the presenters.

You have 10 minutes for your presentation, and there would be five minutes for questions if members have questions for you. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Ms Manley: My name is Gayle Manley and I'm the president of the local of the Algoma District Elementary Teachers. I've given a brief. It isn't a brief brief, though. It's fairly long. I've decided, rather than read it, which I've certainly done in the past when I presented to committees, for the sake of some time and the chance to maybe dialogue with the committee members, I'm just going to highlight parts of it as I work my way through.

The Algoma District Elementary Teachers local represents about 480 elementary teachers, and it covers—David Oraziotti would also know this as well, this having been his former bailiwick—about an area the size of Great Britain. So you already know some of the challenges that could present for our local. We really wel-

come the opportunity to be able to speak to the committee and, at the same time, we appreciate the work the present government has done in the area of education funding and educational reform since their election to office.

Education funding, in my mind, is one of the most important investments that we can make to the future of our province in the children of today. In this presentation, I would like to highlight some parts in it, and it's probably about four or five issues. The review of the funding formula, including the elementary per-pupil funding grant, special education and a need for a return to specialist teachers are some of the premises that I'm looking at.

The Algoma District School Board was formed in January 1998 and amalgamated six former boards: Chapleau, Hornepayne, Wawa, Sault Ste Marie, Michipicoten, and the North Shore board. Pre-amalgamation, the six boards had a combined budget of about \$133 million. They serviced 45 elementary schools and 12 secondary schools.

On amalgamation, of course, budgets were trimmed down, because that was really the purpose of amalgamation: to trim things down a bit. As a result, there were reductions in funding and resultant reductions in staff positions and programs. I've outlined them in the brief that I put before you.

Teacher-librarians, for example, in the elementary system were gone. It's interesting that in southern Ontario, where the school boards are much larger, teacher-librarians are still in existence, but this will be an important part that I want you to look at today.

As well, we lost at that point in time a number of programs: design and technology, guidance teachers in the schools, the enrichment program, and instrumental music.

Another result of the funding formula's premise, undercapacity—and, of course, low enrolment as well—forced the board to look at 10 schools for closure. After the result of the feasibility studies, they did close three. There's still a concern over school closures in Algoma, and you probably wouldn't get anyone who would disagree with the fact that we do need to amalgamate some schools and put some things together. However, you know yourselves from your own ridings that as soon as there's a school closure imminent you've got phone calls, because people are very nervous about this. It affects them.

I think part of the problem I have found with that is this arbitrary number that involves a certain capacity for elementary students and how much space they take up in a school. It's interesting that secondary students take up more room. I don't know whether that's because they're physically bigger or what it is, but there's a different formula there.

The requirement regarding capacity forces school boards to close. Small communities often bus children to larger communities and larger schools. We've seen that in the past in Algoma. Elliot Lake was an area that had to

close one school—quite a bit of concern and anxiety with parents and children—forcing a lot of changeover. There was one school north of the Soo that was predominantly a native school, and they were moved down to a school of 250. There were, I felt at the time, a definite culture shock and a lot of difficulties there.

0920

It's interesting that for small schools you have made some efforts lately, with the rural school funding, to address the needs of the rural schools by providing principals and secretaries and trying to keep some of them open. Of course, the moratorium from the minister is still on. We believe that small schools are very good for students and also for communities. I've pointed out here in the paper that research supports that there are positive effects of small schools and advantages for school achievement in having small schools, especially for students who are poor.

At present, the Algoma board is looking at solving low capacity in the high schools, and probably in the elementary schools as well, by bringing grades 7 and 8 into that environment—in other words, putting them in a high school, a solution that doesn't necessarily, in my mind, address the needs of our early adolescent students. It's our belief that elementary schools are the best environment for young students. Elementary schools are smaller and safer, where young adolescents are encouraged to be leaders and role models for the young children in the school community. Having 11- and 12-year-olds in with 17- and 18-year-olds is just, in my mind, not socially, emotionally or psychologically sound education theory.

All this is driven because of capacity. That's why I would ask that the ministry and the government take a look at the funding formula in reviewing the capacity model. The funding formula disadvantages small schools and rural schools. For those of you who have ridings with small schools in them, you will know that. The number of students required for funding principals, vice-principals, secretaries and teacher-librarians has been set for the urban reality, in my mind, and not for rural and northern boards. The funding formula needs to be reviewed. I've said one size doesn't fit all; it doesn't. That's already been recognized to some extent by the present government because we have had changes to rural funding in order to address the issue of principals and secretaries.

I'd like to address something quite important about the age of literacy, a drive that we've always felt as teachers, but there's a specific drive right now for literacy and achievement. No elementary school in Algoma has enough students to fund a full-time librarian; 769 are needed. So there's not one school in Algoma that has a teacher-librarian. For a while there, we didn't have anything. After they were taken away, we put in teacher-technicians. But nothing can replace a teacher-librarian, who can bring that great picture book to primary students in the schools, who can help junior and intermediate teachers research, even purchasing new books—

The Chair: I want to remind you that you have about a minute left in your presentation.

Ms Manley: So 10 minutes is going pretty fast, in my mind. "Is there anyone after me?" said she, coyly. Would you like me to just sum up and look at my recommendations? I'm interested as well in looking at—I can do the whole presentation and not have questions too, for that matter, if you want. Whatever you seek, Chair.

The Chair: At the end of 10 minutes there would be questions allowed from the committee. So you have about a minute left.

Ms Manley: OK. I'm going to take more than a minute just to finish off, because I know what happens. You'll have a pile of reports when you're finished and it'll be hard to get back to the very first one when you get back to reading it.

I'm looking at how, with the decline of libraries in the boards, and particularly our board, they are essential for the push for literacy that we have right now. What I would propose is that changing the number of students required for a teacher-librarian in a school is important. Also, funding for a teacher-librarian in every school will definitely put literacy back on the map in more ways that will have far-reaching effects for us.

I also want you to notice, and I'm sure you'll hear it again from elementary teachers all across the presentations when they make them, that there is a definite gap between elementary funding and secondary funding. There is an \$800 difference in what elementary students receive in funding from the government; it's \$800 less than a secondary student. We really believe that our students deserve the same resources that secondary students do.

I will leave the special education piece that I have in there. We still have some issues with the needs of our special education students, especially in our area here. We have no child psychologists or psychiatrists, so we're having to buy services from southern Ontario to do that. We need that type of thing. So there need to be some changes to the funding.

The piece that I want to draw your attention to, aside from the need for teacher-librarians in our schools, is that with the push for phys ed, for example, where the minister has recognized the need for activity in the schools, we're looking at some funding around actually having specialists teach in the system: phys-ed specialists, music specialists, art specialists. That would not only enhance the learning conditions for children but also, ultimately, the working conditions of our staff.

I've summarized the recommendations there in a list on the second-last page. I realize that this committee and the government cannot produce a budget that will remedy the eight years of chronic underfunding that education has had, but I know the steps are being made at present and I look forward to some future changes as well.

Thanks very much.

The Chair: Thank you. We have about three minutes for questions. It will go to the official opposition in this rotation. Are there any questions from the official opposition?

Mr O'Toole: I haven't got any.

The Chair: Mr Prue?

Mr Michael Prue (Beaches-East York): I've got three minutes?

The Chair: Three minutes.

Ms Manley: That's my fault.

Mr Prue: Probably everyone in the room agrees with what you're saying. The difficulty, of course, for the committee, and more so for the finance minister, is, where do we get the money for this? The finance minister is on record as saying that he is going to increase spending by only \$600 million this year. That's pretty small, and that's for everything. Where would you suggest the money be found, additional taxes? Or what services would you think could be eliminated to accomplish what is your laudable goal?

Ms Manley: I don't pretend that I could do the role that you have right now, nor do I have the finance backing. I've always been a believer, personally, in taxes that buy what we need to have in the system, but I'm sorry to say I couldn't possibly look at where I could cut.

Mr Prue: All right. So let's get away from the cuts. As an individual, as a learned person and a leader in your community, do you believe your community would accept additional tax increases to pay for these goals, or do you think your community is taxed out, maxed out?

Ms Manley: Every community would probably say that. I do think there is an element in education funding that could happen, and that could be that in fact there can be some taxation locally, which hasn't been allowed in the last eight years.

Mr O'Toole: That's wrong; they're actually set by the province.

Ms Manley: Excuse me. I don't wish to be heckled. I'm not in the Legislature.

Mr O'Toole: It's important, really, to have accurate information on the record.

Mr Prue: Excuse me, Mr Chair, I—

Ms Manley: I'm just wondering if that is an element that could happen, that the city could in fact—

Mr O'Toole: I'm disappointed.

Ms Manley: I'm disappointed too. Excuse me.

Interjection: Somebody didn't have their bran flakes this morning.

Ms Manley: I guess not. I apologize.

Mr Prue: So you think that allowing the municipalities an opportunity to raise additional funds may be one method by which the school boards can be accommodated.

Ms Manley: It's a possibility. I know that was an area where the school boards had some leeway before, where they could tax for things they needed. It's my understanding that that hasn't been able to happen in the last few years.

The Chair: Thank you for your presentation, the first one of our hearings. We appreciate it.

Our next presenters are not going to be here today, and the 9:45 persons are in the building but aren't in the room, so we'll recess until they arrive. They're going to be here in two or three minutes, so I would ask com-

mittee members to please stay in the room so we can begin when they come in. We'll recess until our 9:45 time slot arrives.

The committee recessed from 0927 to 0931.

SAULT AREA HOSPITAL

The Chair: The committee will resume its business. We appreciate you being able to present at this time. The presenter prior to you is not available, so we appreciate you coming early and being able to accommodate the committee.

You have 10 minutes for your presentation, and we'll allow five minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr Bill Walker: My name is Bill Walker. I'm the chair of the board of directors of the Sault Area Hospital. With me is Jerome Quenneville, and Jerome is the chief executive officer of the Sault Area Hospital.

I would like first to thank the committee for coming to Sault Ste Marie. You can tell by my accent I'm from a land a long way away, on the other side of the world, but I've been here for 30 years, so speaking as almost a Sault native, I welcome you to our city. It's not the greatest of days but thank you for coming. It's great to have a committee of your stature here. We're not treated to that sort of thing very often and we appreciate it.

Our objective today is to try to persuade you to strike a budget that does three things: first, that recognizes the unique challenges faced by northern Ontario health care providers; second, that ensures that adequate capital is set aside for urgent infrastructure needs, such as the replacement of aging hospital facilities; and, finally, that invests in information technology that helps northern Ontario hospitals and health care professionals to work better together.

We're going to just elaborate for a few minutes on each of those. I'm going to talk about the first, which is the northern realities, the unique realities we face. Then I'm going to ask Jerome to lead you through the second two of those, the issues of infrastructure and information technology.

It has been said many times, and I've certainly concluded from living in the north for a long time, that indeed health care in northern Ontario does differ from health care in other parts of the province. We've all heard stories about the difficulties that some northern Ontario residents have in accessing health care: long winter drives across northern highways—and this is a great day to demonstrate that reality to you—severe shortages of medical professionals—and we certainly have that in this community; we struggle with it on a day-to-day basis in maintaining the bare minimums of coverage to assure an adequate level of service—the aging facilities and the strained community-based programs, which have all contributed to a unique set of challenges for northern Ontario health care providers and for government policy-makers.

No doubt, most northerners would tell you that universal health care is a little less universal for them as they perceive it, and the reason for these challenges is not totally but in part financial. While many Ontario hospitals are predicting budget deficits, northern Ontario, or region 1 of the hospitals in Ontario, is the only region that is projecting a year-end net deficit. Eighty per cent or 32 of the 40 northern hospitals, are predicting a deficit for the 2004-05 fiscal year.

Northern hospitals collectively commenced the 2004-05 year with a \$23-million shortfall. By contrast, hospitals in the greater Toronto area ended the 2003-04 year with a net surplus of about \$120 million.

Compounding this and almost showing up as a sad irony of the situation is that the research that has been done on public health and on the health of the population shows that northern Ontario residents are among the least healthy in Ontario.

As a result of this, we strongly recommend to you that this government, and its northern Ontario members in particular, strike a budget that recognizes the unique challenges faced by northern Ontario health care providers.

Mr Jerome Quenneville: As Bill mentioned, I'll go on from there to talk a little bit about infrastructure. We're encouraged that the ministry has continued to support the Health Services Restructuring Commission type of initiatives. Certainly that's a strong demand on capital in the health care sector, but those types of replacements of our aging facilities are necessary to ensure quality health care in the years to come.

0940

The Sault hospital is a facility that has tried to provide some leadership over the last number of years, and as a result of that started back in the early years of partnerships being one of the first in Ontario at joining two facilities here in town, at bringing their services together and really moving things to the next stage.

A decade has gone by at this point where the public hospital and the denominational hospital started working together, and there has been a lot of progress in having gone ahead of even Health Services Restructuring Commission type of directions, since most other communities got to the point of those partnerships as a result of those types of directions. Here in Sault Ste Marie we've been working through the implementation stages of that partnership for a number of years.

Consequently, the HSRC, when they did their visits through the province, came to Sault Ste Marie almost last, and that was somewhat of a disappointment since we were probably ready first to be able to move ahead with some of the initiatives but were somewhat held back from being able to get into the implementation part of it.

Sault-area residents almost seemed to be penalized for having gone ahead and provided some of that leadership. But when we look at the situation we're in currently, we're continuing to be impacted somewhat uniquely in Ontario. When we look at the way our partnership has come together, funding formulas such as looking at

isolation adjustments have meant that partnerships have really drawn us out of funding formulas that otherwise, as divided organizations, we might have been able to qualify for. Those are unfortunate consequences that really mean big dollars in our funding envelopes that really don't come through.

The Chair: A reminder: You have about two minutes left for your presentation.

Mr Quenneville: OK, thank you.

As part of our balanced budget plan initiatives, part of what we've been working toward is bringing forward a lot of the initiatives or steps toward getting into our new hospital facility in Sault Ste Marie. In doing so, what we've done is develop a culture of getting ready for that new facility and, more importantly, really bringing forward the initiative of our regional cancer centre as far as bringing in a bunker here more locally. By doing that, we need to have the capital dollars to get up and going for that new facility in order to bring that service closer to the residents here, because there is a significant barrier of geography, as Bill pointed out earlier.

Information technology is another facilitator to be able to work more effectively in the north. Bridging the gap of geography by networking our providers together is a key element to being able to get some success. There are numerous examples where there is success for electronic health records across various areas of the country and the province, and we see the north as being prime to be able to develop those partnerships in the near future.

More currently, the Sault Area Hospital and a number of regional partners in the north are looking at putting together PACS initiatives and electronic health record initiatives that would really help to put a web of providers together so that we can more effectively connect those providers and improve the health services.

So those investments in technology in the Soo area certainly would help to overcome some of the northern barriers, such as the shortage of medical staff and geographic remoteness and, again, the health status of our population.

Mr Walker: In conclusion, Mr Chairman, if I can take the last 15 seconds, we certainly deeply appreciate the efforts you have made to come to Sault Ste Marie to hold this consultation. We appreciate the opportunity so that you may hear our concerns first-hand. We're happy to respond to any questions that the committee may have.

The Chair: Thank you for your presentation. We have about four minutes for questions, and we'll begin with the government. I remind you that we would go in rotation, but in the last case. What I'll do is move to each party as presenters come forward. So the questions will begin with the government.

Mr David Oraziatti (Sault Ste Marie): Thank you for being here today and taking the time. Could you elaborate a little bit more on the importance of the new hospital moving forward in Sault Ste Marie and the co-operation with the officials at Sault Area Hospital to date?

Mr Quenneville: We've taken a number of steps in reconfiguring our building plans in order to work within

ministry guidelines. Certainly the aging facilities we have right now are not a long-term solution by any means. We're struggling right now with facilities that are 50 or 60 years old, if not more, and really need to have the next step brought forward fairly soon. Physicians won't come to Sault Ste Marie and provide the kind of health care services we need if we can't provide them with an environment in which to work effectively.

Mr Oraziatti: Can you elaborate perhaps a little more on the physician shortage issue? We've had numerous meetings here with our local physician groups. As an example, in terms of being able to have routine surgical procedures completed in Sault Ste Marie, the number of anaesthetists is very important to this community. My understanding is that we have two: One is 62 years old, and one is 70 years old at this point. Sudbury, 300 kilometres away, has 20-plus anaesthetists. What do you believe the new facility will do to enhance the ability of the community to attract physicians to the region and to Sault Ste Marie?

Mr Quenneville: It's an essential element of being able to attract physicians and retain them. The other part is retaining the physicians we do have. Right now, we're very blessed with having a number of facilities well supported by great professionals, but there's a lot of demand out there to go elsewhere. Without the appropriate anaesthetic coverage, without radiologists—we have no resident radiologists here in town and are provided with 100% of service by locums or visiting radiologists to the area. So we do in fact need the technology and the investments to be able to fill those gaps.

Mr Oraziatti: One last question, Mr Chair. With respect to the importance of the radiation bunker here, we offer some levels of cancer treatment. Dr Walde, here in the community, does a tremendous job providing those services. I think it's important for the committee to understand that whereas in the GTA you have 30-plus hospitals or so within a 100-kilometre radius, our closest hospital is a three-hour-plus drive away, over 300 kilometres, especially if you live north of Sault Ste Marie, travelling in weather like this in January or February to a place like Sudbury to get treatment if you have cancer and need to be treated for that, and how important it is for us to have a radiation bunker in the new hospital.

Do you want to elaborate at all on that service, the number of patients who would travel for that kind of treatment and the difficulty in accessing that care?

Mr Quenneville: In December, I met with a family in tears, basically talking about their experience of having to go to Sudbury with a sick loved one trying to get radiation therapy: being held up in airports for a day because the plane couldn't get off the ground because of snow conditions and such, and having to transport frail individuals back and forth to motels and paying the additional costs. That's the human issue we have right now. Quite honestly, from what I understand, many can't afford or can't free up the resources to be able to get the service. That is the unfortunate situation of reality we

have right now. People aren't being served as well as they should be in Sault Ste Marie.

We do have a solution, working very closely with Sudbury and providing the service locally and being hooked up by technology to help support those individuals so they can receive treatment here in the community without that travel.

The Chair: Thank you for presenting somewhat earlier this morning. I appreciate your being here. It's good to see you again.

Our next presenter has not arrived, so we will recess until 10 o'clock.

The committee recessed from 0948 to 1005.

CITY OF SAULT STE MARIE

The Chair: The committee will now resume our presentations this morning. We have the mayor of the city of Sault Ste Marie with us. Welcome. You have 10 minutes for your presentation. That will allow five minutes for questions should the committee care to ask you. You may begin. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr John Rowswell: Good morning, everyone. I'm Mayor John Rowswell. I have with me today our treasurer, Bill Freiburger; Scott McClelland, manager of audits and—new title change; I've got it here. Anyway, I also have with me Kim Rose, my executive assistant.

1010

I'm probably going to give you one of the most provocative presentations. I only have 10 minutes, so I have to be short and brief. The one point I'd like to make, which is truly a northern Ontario point, is that at the Winter Cities Conference in 2002, which was hosted in this community, studies showed that a northern Ontario community is more efficient than Toronto. When you add in the transportation of people to and from work, energy-wise a northern community wins. This means that we could pick up a raw product in Toronto, ship it here, manufacture it and ship it back for less energy. In the world today, that's something that needs to be considered. That was one of the conclusions that came out of that conference.

The irony of the whole thing is that the raw products are already here in northern Ontario. Therefore, value-added manufacturing must be encouraged, and that's part of our strategy for the city of Sault Ste Marie. In order to make this work, good highways are needed in northern Ontario.

My colleagues across the north—my fellow mayors—really came together as a group, not just the northern Ontario large urban mayors but all of us, because we have a common problem. We're all losing assessment, our vacancy rates are going up—we're having a little success bringing them down right now, but predominantly they're up—and we have our youth heading south.

Economic development in the north is substantially different than in southern Ontario. People in southern Ontario go around trying to find the best deal. We have

to go out and find it, bring them up, court them and do it very aggressively, and this costs dollars. Then it becomes a trade-off: What do we sacrifice to get a little economic development? We have to deal with all of this, and I can tell you, the margins at budget time are extremely, extremely tight.

Any decline in the community reinvestment fund in any way, even a million or two, could set us back years. Ours is around \$20 million. If you take a little bit back in any way, shape or form—claw it back—it just puts us right back to the point where we might not have \$600,000 to be able to go out and try to find an opportunity. We have to go and find them; we have to make them.

One point: My daughter needed an ambulance ride. I got a bill from the Ministry of Health for \$45, and I paid the bill. But the bottom line is that we in our city operate the emergency medical services for the area, and as part of it, we have to build a new building to house them, because they were dropped in our lap. Right now, they're stuffed in our fire halls all over town. That's all we've got. We have plans to retrofit a building, but in reality this is a service we should not be in, considering that the Ministry of Health is still getting the money.

On this note, I think we're paying the bigger half for health care. The Ministry of Health needs to take back EMS entirely. It's just not what we should be doing in the north. You're going to hear this from everybody else. You're probably going to hear it all around the province. The Ministry of Health is getting paid for it; they supply the service.

Those are all the simple ones.

Based on all I've seen as mayor—and I've been mayor for four years now—I'm convinced that we have two levels of universal health care in the province. There's one for southern Ontario and there's another one for northern Ontario. Most of the doctor shortage is in the north. We have 88% of the Ontario land mass. Southern Ontario has just 12%. Most of the doctor shortage is up here. Our distance to services offered, compared to southern Ontario, makes the challenge of getting these medical services difficult. If you don't have it in your community, you might be able to drive for half an hour or an hour. They send you over and you've got it. Well, the nearest one we have to go to is three to four hours, in Sudbury.

We have cancer patients who have just gone through chemotherapy who now need to go to get radiation treatment. Our Elks club drives them to Sudbury, and they have a van going, I think, every other day. They go down and pick them up. They stay there. They come back. You're talking about an individual who has just survived chemotherapy, who now has to go into the radiation treatment, and they've got to endure that. I'm trying to remember the mother of a friend of mine. She looked about 75; she didn't look too strong as she got into that van. That's what we have to endure.

If there's an emergency—the other horror story is that the air ambulance picked them up. The family flew with them. They had to go to Timmins because that's where

they were going to get the treatment, and then the ministry told them they weren't going to fly them back. So the poor individual actually had to find his own way back all the way from Timmins. That's seven hours; he could have gone to Toronto for that.

Our new hospital needs a cancer bunker. With increased rates of cancer and heart disease, we need similar levels of care as southern Ontario. A new hospital gives us better chances of attracting physicians.

You're going to hear from my colleagues about COMRIF: \$298 million over five years is just not enough. I can tell you, and some of the Conservative colleagues are here, Minister Dan Newman put out a program. He put \$88 million of NOHFC. That netted us \$88 million; COMRIF's \$300 million divided by five is \$60 million for northern Ontario and a bunch of southern Ontario communities under 100,000.

This \$88-million one-time program was put out for NOHFC and netted us \$2.5 million, which was the biggest gain we've ever got, money that we could use for anything. We used it on roads. That freed up some money for economic development. Because of that economic development there are jobs here today, quite a lot because we had a little money to play with, and it means such a big difference.

Our present road needs are around \$20 million a year. We budget about \$6 million, and more funding dollars are needed. The \$298 million over five years is totally inadequate.

Please don't take this the wrong way, but it is very apparent that the province is dragging its feet on money for the north and using the deficit as an excuse. Slowing funds down because you have less money, so you're slowing every program down across the province, hurts the north the most. Cancelling the tax incentive zones put northern Ontario back three years. We don't have the hustle and bustle of southern Ontario. It's a lot harder.

To make things worse, the Ministry of Finance, in a document which is not released yet, projects that northern Ontario will drop by 17% in population over the next 30 years. We're up here trying to do our best to grow, and we've already been written off. That's the way we feel.

The Chair: I remind you that you have about two minutes left in your presentation.

Mr Rowswell: Thank you. There are some references to a paper that your staff can look at, and I'll have to not talk about them, but what I would like to mention is that one of those papers that was written for the Ontario government talked about giving the north the right tools. Sault Ste Marie is trying to become a multimodal hub, which will relieve congestion in southern Ontario at the borders, but we need infrastructure.

Right now that infrastructure is hoarded in southern Ontario. If we want seaway draft, we get it from southern Ontario, or Thunder Bay in that case. Intermodal rail cars, transfer mode—all in Toronto. Air cargo airports—all in Toronto or in that region. What that means is that you're hoarding it. You're bringing congestion upon yourself because you're keeping it there, whereas other

areas can benefit, especially Sault Ste Marie, and we help southern Ontario.

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The last point: Give communities in northern Ontario a fair shake and don't hold all the cards in southern Ontario, as you do with critical infrastructure. The Ministry of Northern Development and Mines needs a real budget if northern Ontario is to develop.

There was a discussion a long time ago in which we looked at equalization for provinces. I couldn't figure out why northern Ontario—all this money seemed to be going to the other, poorer provinces. I worked out the number, and it's \$280 million that could be available if northern Ontario were not part of Ontario. I'm not suggesting for a minute they separating and not joining, but I need to tell you that when we see poorer provinces actually getting more money to do all those things I talked about here, that \$280 million looks very attractive.

I have an expectation that in the next budget the northern Ontario heritage fund will be boosted to \$280 million, because that's the level of support that is needed so that we don't hit the projections the Ministry of Finance has put in their document and is expecting in the future. We don't believe it, but you have to help us, and we will get there. The supporting documentation is in the package that I've given out.

I'd like to reiterate that I like being part of Ontario; I'm not suggesting that—I just want the money for northern Ontario, and that would go a long way.

I have my presentation, along with the table and the arguments about why Sault Ste Marie should become a multimodal hub and how it will benefit all of Ontario.

We don't have time, but we have another printed document put out by our treasury department. Some points are the same and some are different; we don't have enough time to present it all. We'll also give that to you today in written form.

With that, we will pass this out.

The Chair: Very good. Any other material you might have will be copied and given to every member of the committee.

Mr Rowswell: We brought enough copies.

The Chair: Very good. We have about three minutes for questions. It'll go to the official opposition.

Mr Barrett: Thank you, Mayor Rowswell. I'm intrigued by the study from the Winter Cities Conference—northern communities comparing their efficiency to a large urban area like Toronto. I know you're handing out some material. If there's any information on that, I'd be interested and it might be of interest to this standing committee.

Mr Rowswell: I am quite prepared. If I have a list of everybody, we'll get that information to you. There were two papers presented. We can get that along.

Mr Barrett: I think that would be useful. Direct it to our clerk.

We're aware of the declining population in so many northern communities. We are also aware of the fact that over the next 25 years the Golden Horseshoe area is

going to see growth of something like four million people, which has triggered the greenbelt study, which does focus on that area. I'm not sure to what extent the greenbelt work that dominates much of the government's work right now would be benefiting the Soo or Thunder Bay or other communities up here.

I will mention too, and this is perhaps one of our pet projects—I noticed a book in the lobby making reference to the Great Lakes Heritage Coast. In the big picture, that's perhaps a small issue, but I would again hope that the good work that was done over the years on the Great Lakes Heritage Coast and other signature sites, many of them located in the north, would go forward, even merely from the tourism perspective and the tremendous amount of work that so many municipalities contributed to that initiative. Thank you, Mayor. Do you have any comments on that?

Mr Rowsell: On the greenbelt, at a Winter Cities Conference held in Sault Ste Marie in 1991—this community has done well by being very much a part of this worldwide winter cities—there was the notion of a greenbelt around Toronto. The conference was on sustainable development. It was proposed 13 years ago at that conference. If you want, I can send that paper along as well. But we were trying to get growth in northern Ontario. The greenbelt should be far bigger and more far-reaching. That's the point we're trying to make.

The Great Lakes Heritage Coast initiative: All I can tell you is that I don't care what you rebrand it as, it was one of the best initiatives for ecotourism in growing this area, and it protected the North Shore of Lake Superior on our side. It absolutely must proceed. I know our MPP, David Oraziotti, has a whole rap sheet of items we talk about, and that's one of them, and he has conveyed that forward.

The Chair: Thank you very much for your presentation this morning, Mayor. If you'll just present any information you might have to the clerk, he will ensure that all committee members receive a copy of it. It would be very good if you could do that before January 20.

Mr Rowsell: We'll get it done. Do we have the clerk's card?

The Chair: He'll talk with you presently.

Mr Rowsell: All right. Thank you very much for coming to Sault Ste Marie. We very much appreciate being able to express our opinion about what's good for northern Ontario.

ALGOMA UNIVERSITY COLLEGE

The Chair: Is Algoma University College present?

Dr Celia Ross: Yes.

The Chair: You have 10 minutes for your presentation and there will be five minutes for questions. I would ask you to state your name for the purposes of our recording.

Dr Ross: I'm Dr Celia Ross, president of Algoma University. I'd like to welcome everybody to Sault Ste

Marie. Bienvenue à la commission. On est enchanté que vous soyez parmi nous.

I have a big handout. Universities are good for this. We produce lots of coloured material. In the handout there's also the presentation that I'm going to make today.

Just in case you're not familiar with us, we are an affiliate college of Laurentian University in Sudbury. We are small. We have about 35 full-time faculty and 1,200 students. If all those students were full-time, they'd be about 810 students, which makes us about—well, we're small. We're about one third the size of Sault college and about one ninth of Laurentian.

We report directly to the ministry. We were set up because the community in the 1960s lobbied for a university in Sault Ste Marie. The Sudbury lobby must have been more effective because they got the big, independent university and we got the branch college. But over the years we've become increasingly independent of Laurentian and we now report directly to the ministry. So when the government makes decisions on funding universities, you are making decisions to fund universities that are very large, like the University of Toronto, with 50,000 students, and very small, like Algoma with 1,200 students.

It's a big spectrum, and the first difficulty is that you tend to fund with formulas, and the formulas tend to fit the universities with between 3,000 and 5,000 students, maybe 8,000 students. So the big ones, the U of Ts and the Yorks, have difficulties and the very small ones, like Algoma, can have difficulties. As you hear from the Rae commission and look at the recommendations they're making, that's something to keep in mind: the wide spectrum of universities that are covered.

Our student body is fairly representative of where we are. About 75% of our students are from the Algoma district. We are increasingly drawing students from southern Ontario. When the mayor talks about out migration, we would like to offer an alternative to students from southern Ontario. Not all students want to go to the U of T and York. Not all students can stand the pressures of the very large institutions, and we'd like to bring some of them up here.

We're also specializing in indigenous students. Seventeen per cent of our student body is self-declared indigenous. That, we think, will rise over the next five to 10 years to close to 40%, and we're very proud of that. That will certainly make us a very distinctive university presence in Ontario.

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Also, it's fun to welcome international students. Some 6% of our students now are foreign students. That, for Sault Ste Marie, is a revelation. Sault Ste Marie doesn't have a lot of people of different colours, different ethnic backgrounds, and different languages and different cultures. So that's another way we're enriching our community.

Like the other northern Ontario universities, we had a very good year last year for employment, and we're

proud of that. I've given you in my PowerPoint presentation on page 4 very, very good employment figures for our graduates. Why did our community want a university? It was to help employment in the community. It is working. Because of the high level of education in Sault Ste Marie, it's fairly easy to attract certain kinds of businesses to town. We have well-educated people who do an excellent job as employees. We also have a group of entrepreneurs now who are interested in creating jobs in the north, and this is precisely what northern Ontario needs—young people, people of all ages, who want to create work in northern Ontario.

We think we're important. We know we're important to the economy. Our budget is \$8 million. We sustain with all the multipliers close to 600 jobs in the community. We believe we're important and we should be here to stay. We believe we have a future and we are building toward that future.

In my PowerPoint presentation on page 8, you can see a new building that's going up right now that will be opening in another few weeks. I hope David Oraziotti will be there to help us cut the ribbons, and anybody else who wants to see your dollars at work. You can see a very, very good example of it here in Sault Ste Marie. The Ontario government SuperBuild fund gave us \$650,000. It was for renovations. We said, "No, we want a new building." Our building is \$6.3 million, and all those dollars are secure. So that was excellent leveraging, I think; 10-fold leveraging of that SuperBuild grant. I don't think you'll find that in many other places in the province. Part of that, of course, comes from FedNor and the northern Ontario heritage fund. Both of those have been very supportive, again because of the economic role that we're playing as a university; it's recognized by the funders.

We have increasing partnerships which take us out from being an isolated little place into being part of the Ontario system of universities. We're increasingly working with community colleges, not just Sault College; Cambrian College, for instance. We have very close links with Cambrian for certain endeavours, including a campus in India. So it's really opening up beyond what's traditionally considered northern Ontario.

Within our community we have very good partnerships too. In Sault Ste Marie, you have a federal and a provincial research lab. They're big labs, especially the federal research lab. They're forestry labs. We have good partnerships with them now and the first Canada Research Chair to come to Sault Ste Marie is arriving in February from Oxford, England. She's a tier 1 Canada Research Chair. Algoma University College gets \$200,000 per year from the federal government for seven years, renewable, to support her work. She will be working in the Great Lakes Forestry Centre labs and will be anchoring Sault Ste Marie's participation in the northern Ontario biotechnology initiative. So, by having a university here, you have a really good player to benefit from the networks.

What would we like from the Ontario government? Well, on page 11, we talk about the financial need of our

students. Most of our students depend on scholarships, bursaries and OSAP. They're not as wealthy as U of T students, and when our foundation goes out to raise money we don't have so many donors to appeal to, as U of T does. We don't have a 100-year history—we're since 1972—and we don't have very wealthy alumni. So we go out to raise money and we really need programs like the OSOTF, the Ontario student opportunity trust fund. That, for us, is real dynamite, to be able to go out and say to our graduates—and for many of our graduates they are the first person in their family to go to post-secondary or to go to university—"Let's establish a donor record here, because the Ontario government will double your dollars." That's really important.

So we really have benefited from the Ontario student opportunity trust fund. We know that it's under review. Please consider the need of institutions like Algoma for that kind of support to help us roll in dollars to support the students.

On page 12, I talk about the northern grant, which your government gives to colleges and universities throughout northern Ontario. Thank you very much for this grant. It's needed. It's expensive to do business up here. It's expensive to go and recruit in Moosonee and Attawapiskat, for instance, but it's really important to do that. So thank you for the northern grant. Please continue it. The north is not the same as the south, and we need that extra bit of funding to help us.

Algoma receives an extraordinary grant. It's expensive to run a full-service university with 1,200 students. Our goal is to grow those student numbers to 2,000 or 3,000. To get there, the extraordinary grant is a real help. It allows us to give the same quality education at an undergraduate level that you find in any other university in Ontario. I think that would be my one big request when you're reviewing what the Rae commission reports.

It's really important that students get the same quality of education whether they be at Lakehead, Algoma, York or Brock. You have that in Ontario, and I think that's something to be really proud of. You don't get the same choice, of course. Students are very limited in choice in a small university like Algoma, but it's the same quality.

When you're looking at the Rae commission—for instance, if you free up tuition fees, that has a different impact when you come from an upper-middle-class Toronto family than from a native family in Attawapiskat, where the federal funds don't quite cover all the students who want to go to university any more and a native family has to start looking at OSAP—a very strange process for that person. So the impact of raising tuition fees with a liberal hand will be different in northern Ontario than in the south.

Am I coming to the end?

The Chair: You have about a minute left.

Dr Ross: Finally, on page 13, I talk about our accountability. We feel that we are very accountable. Because of our extraordinary grant, we have agreed to produce a strategic and operational plan every year, which goes to the ministry. That's available if any of you

are really curious about the nuts and bolts of Algoma. We also have a submission, of course, to the Rae commission, which is on the Rae commission Web site.

We're well placed now, we are growing and we can grow into the future as long as the tools are still given to us and are provided to us the way they have been. I think you've got something to be proud of here in Sault Ste Marie, and I think you can continue to give us generous support into the future with confidence that we'll use it well.

The Chair: We have five minutes for questioning. Mr Prue, of the NDP.

Mr Prue: Ontario is ranked 10th in terms of what we provide to students. Where do you see this going? I didn't see much in the last budget. What do you see this government doing in this budget, or what should they be doing?

Dr Ross: Overall, the Ontario university system is underfunded. You're 10th in funding to university systems in Canada, but you're also close to last in all North America. So it is desperate. Any money you can start flowing to the universities will get used to support research in a better way: to allow us to refurbish space to conduct the research; to allow us to buy chemicals so we can have a full range of biology and chemistry experiments in our undergraduate labs; to hire professors. We're in a hiring crunch in Ontario right now, where there is a race to keep professors. They're getting lured away because there's a professor shortage throughout North America, sort of like the doctor shortage. So any dollars you can flow to the university system will be well used. We are all underfunded.

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Mr Prue: It's been estimated that to bring Ontario to the national average, and that's only to the average—we are the richest province, we have the biggest per capita in the industrial heartland and all that stuff—will cost about \$860 million. Do you see that this should be a priority for this government, or are there other priorities that they seem to be embarking on more—I'm not in the government—in terms of health and elementary education?

Dr Ross: There are many priorities, but don't forget that if you want a good health system, you need doctors, you need nurses. One thing that Algoma University would really like to do is get into health care administration—badly needed—but we need seed monies to get into it. We've got plans to get into it, we know what it would take and we're going to come to the ministry and lobby for this. If you want to support your health care system, you need the educated people who are going to work in it.

Don't keep starving your universities forever. You are losing good researchers and good professors outside Ontario. You're losing opportunities when the institutions can no longer respond to research opportunities or commercialization opportunities.

As a province, if you keep underfunding the system, you will see the results, not necessarily in the immediate short term but in the medium to long term. Just as you're

seeing a shortage of doctors now, you'll start seeing it in other professions. As your labour force is shrinking, you need the universities and colleges to keep on educating your population so you will fill the jobs 10 years down the road. I think that's the crunch we're in right now. It's a bit hidden because we can keep surviving; you can run universities on a shoestring. But you're not going to get the excellent results you should be aiming for as a province.

What worries me is that you'll try to recoup quite a bit of that money through increased tuition fees. That's what worries me for the north. If you've got a family that can pay your tuition, fine. If you are working two or three part-time jobs to pay those high tuition fees while you're a university student, it's not fine any longer because you're not going to be paying enough attention to your university studies, you're not going to be learning what you should be learning. Eventually that impacts on the quality of work that is done in the province. So I'm really arguing as strongly as I can for not getting those extra funds from tuition fees.

Mr Prue: Very laudable.

Have I still got time?

The Chair: About a minute.

Mr Prue: OK. What troubles me is that in the last budget the finance minister said he intends to spend only an additional \$500 million in this budget year. He's also announced quite recently his intention to freeze taxes. Where is the government to get the money we need for post-secondary education and for small universities like Algoma? Are you saying we should cut some other program to do it, or do you believe the public will tolerate additional taxes in order to accomplish what I think we all know needs to be done?

Dr Ross: That, of course, goes to my political persuasions. I would think they should not be freezing taxes at this time with the demands from the education sector and from the health sector, which contribute to making Ontario a strong province.

We're now in a knowledge-based economy where a lot of your economic progress is going to be based on innovation. The federal government has a good innovation strategy, and that innovation strategy relies on the drivers that post-secondary education provides.

We can bring a Canada Research Chair here to Sault Ste Marie with federal dollars. Thank goodness there's a federal lab that has some surplus space for her to work, because the university here doesn't have money to buy—we don't have science labs on campus any more. We don't have the money to run science labs, so we are running our science labs through partnerships. That's the point we're at.

Thank goodness we've been encouraged to develop partnerships, because that keeps us going. But do you want your universities running that way? I don't think you really do. You will get the same message from other universities across the province, universities that can't afford to build and maintain the facilities to house equipment they may be getting with federal government

dollars, because they don't have the infrastructure, universities now opening more portables to accommodate students, class sizes for undergraduates that have spun totally, ridiculously out of control, too many undergraduates being taught by teaching assistants. All that is from the budget compressions that have been occurring.

The Chair: Thank you very much for your presentation this morning.

SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY

The Chair: I call on Sault College to come forward, please. You have 10 minutes for your presentation; there would be five minutes for questions. I would ask you to identify yourself for the purposes of Hansard.

Dr Timothy Meyer: My name is Tim Meyer. I'm the president of Sault College.

The Chair: You may begin.

Dr Meyer: Good morning. Because I have 10 minutes, I am going to try to confine my presentation to the handout that you were given.

First of all, I want to thank the committee for holding a pre-budget consultation in Sault Ste Marie. I would also like to commend our local member, David Oraziotti. He has been a strong ally and a supporter of post-secondary education in this community for a long time. I very much welcome the opportunity to speak to you about post-secondary education in our province.

I would also like to mention that Dr Ross did an excellent job in setting up the context in which I would like to make my presentation. I won't go through that, but I would like to focus it mostly on colleges.

As many of you know, in the spring 2004 budget, the Ontario government introduced many new initiatives. They included the selection of former Premier Bob Rae—whom I have had the personal pleasure of being able to speak to about this issue several times—to conduct a comprehensive review of post-secondary education. Furthermore, in his budget speech this spring, Finance Minister Sorbara described the importance of higher learning in Ontario as being “second to none.” All of us in post-secondary education look forward to Mr Rae's final report, which we hope will be submitted later this month.

Mr Rae made it very clear that he believes Ontario must start to reinvest in colleges and universities. The senior adviser to Premier McGuinty and Minister Chambers put it this way in his review discussion paper: “I think education is the bedrock of modern society. I also think our system of higher education in Ontario is in serious jeopardy. It is in jeopardy because we are on the edge of major change and the level of both public and private support is insufficient to keep Ontario as strong, competitive and socially advanced as we want to be.”

This represents a clear understanding by the government of how important post-secondary education is and represents our perspective as well. For years, Ontario has failed to provide public post-secondary education with

sufficient funding. I would submit before this panel that this is not a partisan issue. This crosses many different party ownerships.

The results are quite disturbing. I want to point out, as Dr Ross pointed out, that the research indicates that the 24 colleges of Ontario operate with a per-student grant funding that is the lowest among all Canadian provinces. I understand that the only jurisdiction in North America that has less funding than Ontario colleges is the state of Mississippi. So we are at the bottom of the heap as it relates not only to Canada but also as it relates to the United States, and there is research from ACAATO to back this up. What it means is that we've got a lot of catching up to do. Hopefully, Mr Rae's presentation will start us down that path.

I think it's important for this panel to understand that I do speak from a bit of experience, and I do have a lot of empathy with the government in its current situation based on my own experience. I was elected as president of Sault College three years ago. Two months into my tenure I was notified that—and I will quote my finance director—“We can't meet payroll in three days.” That was a wake-up call for me in getting involved with the college.

We did what we needed to do. We got our house in order, so to speak, but at great cost. It was at great cost to the community, it was at great cost to the individuals in the community, it was at great cost to the students and it was at great cost to our programming. Quite frankly, we trimmed our workforce by 20%. That means 20% of faculty, staff and administration all had to leave our college. In a community this small, we are the fifth largest employer in Sault Ste Marie, so you'll get an understanding of what the dramatic results were.

We had to make very, very tough decisions. Obviously, it was not welcomed by the community at all and it caused a lot of ripple that we are still facing. But we are solvent right now. We are getting by. We are providing programming to our students. Our number one priority during that time was to not affect programming, so we cut everything else. We cut our maintenance budget to zero. We have over \$5 million of deferred maintenance in our building.

Interestingly enough, we've had a few of the cabinet members come through our building. Coincidentally, it happened to be raining during those times and all of them who visited us, from Gerard Kennedy to David Ramsay to our own MPP, had the pleasure of being almost baptized by the leaks in our roof as we walked through our hallways.

1050

I just want to give you a sense of where we are and what we need to do to maintain our position. Our relative position is we're four to five times larger than Algoma University but we're a very close partner with Algoma University. That's why what Dr Ross presented fits very well with Sault College, a lot of the environment we operate in. But we need changes.

We're solvent for now, as I indicated, but by 2006-07—and by the way, I have a very excellent financial team. They're all certified accountants. I have three certified accountants who work at Sault College and we do very close projections of our financial situation and very close monitoring of the government's granting system. We know that we can operate in our current situation until about 2006-07, when we're going to hit the wall again. That is not a threat; that is just the reality that we're facing.

There's one question I'd like to leave with everyone, and it's very simple: Will Sault College receive the provincial grant funding we need for the future?

I would like to refer back to a time when we had a very vibrant Sault College, when we had campuses in Elliot Lake, Wawa and Chapleau and were very active in those communities. During a time of chronic underfunding over the last 10 years we've had to pull back from those campuses and we've had to vacate that situation. Obviously, we're leaving those communities without a post-secondary education resource. What they need they get through distance education.

In the 2004 budget, the Ontario government emphasized the importance of bringing prosperity to the north. Independent studies have shown that colleges—and we know this—are key economic drivers. Again, research identifies excellent returns on investment for students, taxpayers and the government. In fact, we are identified in the city's document called *Destiny Sault Ste Marie*, which is their diversification strategy, as one of the drivers of economic diversification.

We have many needs, but to meet my responsibilities as the president, I must emphasize that Sault College will not have a long-term future unless we receive the resources we require. Mr Rae understands that post-secondary education is necessary if Ontario is to maintain its place in the very competitive global economy. Also, demographics tell us the need for new workers will continue to escalate as baby boomers retire. We also know that new entrants will require higher skill levels and training than those they replace.

The federal government has reported that 70% of new jobs created by 2007 will require post-secondary education, but in Ontario, only half of young adults go to college and university. We're leaving half of the young talent behind with only a high school education or less. It's essential that the province's colleges receive sufficient funding to provide affordable access to all Ontarians. I'd also like to emphasize that we are in an economically competitive environment. If Ontario doesn't successfully compete, we'll all lose.

Interestingly enough, in Sault Ste Marie and Ontario we also look to ourselves and our neighbour Michigan. Just before Christmas, the Governor of Michigan announced the need for their state to increase the number of people going on to college and university. Governor Granholm's point was that Michigan needs more highly skilled people so that its businesses and industries remain economically competitive. A few days later, Alberta

Premier Ralph Klein said almost the very same thing: Alberta will also be working to increase post-secondary education participation rates. The question I ask is, will we remain competitive?

The Rae panel has received a formal submission from the Association of Colleges of Applied Arts and Technology, of which I have copies. I don't want to go into the fine detail, other than that we currently are 70% of the national average for colleges and have been that way for a long time. The intent of that association and all 24 colleges is to ask the government to move us to a situation where we are at least at the national average by 2007.

It's always important when you make financial decisions to say, "What are we comparing ourselves to?" This panel has a very difficult job of balancing all the different requests that are coming before it. One way to get a sense of how to achieve that balance is to look at what is reasonable over time and what is a comparator across our nation. I would suggest that this request before this panel is to actually meet the national average by 2007.

We receive about two thirds of the funding that universities receive and about half the funding that school boards receive on a per student basis. That has been that way for quite a long time.

Dr Ross went through a lot of the challenges that we face as a small, northern, rural college. But we are also a community leader, in that whatever support we receive from the government goes to stabilize and support the economy of this locale to a tremendous measure.

I'll leave the report here. I'll open it up for questions.

The Chair: Your timing is impeccable. I didn't give you a warning about your time because I surmised that you were going to be ending soon.

We have about four minutes left for questions. It goes to the government.

Mr Oraziotti: Thank you, Mr Meyer, for being here today. I appreciate your presentation. You and Dr Ross have obviously alluded to the shortage of funding within our post-secondary institutions and the shortage that has taken place over many years in this province. Aside from strictly looking at additional funding resources for both colleges and universities in the province of Ontario, what other suggestions can you make to the government with respect to policy or programming changes that would perhaps benefit northern Ontario colleges and universities or the province as a whole?

Dr Meyer: Again, Dr Ross touched on a few of those ideas. One of the ideas is to look at how we can share in the educational needs this province has. I'd especially refer to some of the immigrant needs that the southern colleges are facing right now. For example, George Brown College and Centennial College, both in the GTA, are facing a tremendous crush with the immigrant interest. Obviously, we have the capacity, and we also have the community.

I'd like to remind everyone here that a lot of the economy of Sault Ste Marie was built with immigrant labour.

Most notable are the Italian and Finnish groups that came over at the turn of the century that provided the development of the natural resources in this community.

We have a tremendous community wealth, if you will, and an interest in all diversity and nationality as well as the capacity to do that level of education.

Mr Orazietti: Can I ask you a question a little more specifically with relation to the programs? Are there programs within the college sector that should be more developed at certain colleges to allow for colleges as a whole across the province to grow? In other words, if all the colleges in the province of Ontario have identical programs, do we lose some level of efficiency in terms of developing the best types of programs at specific colleges that may be more geared or more appropriately developed at specific colleges?

Dr Meyer: That's an interesting question. It gets down to program mix or product mix and specialization. That has always been a question. From a community college perspective, you need to provide a comprehensive enough programming base to provide access to the students for whatever their interests are, but obviously you have to be real about it and say, "What can we do better than anyone else?" and create the market niche to satisfy it. That's the balance we go through at the community college.

We have developed partnerships with specific industries. For example, the rail industry has come to us and identified that they are going to have a skills shortage. They have named us as their partner in developing that educational stream.

Mr Orazietti: Just to follow up on that, should the government be looking more specifically at ensuring that colleges are focusing their energies on developing those types of programs and not encouraging the college sector to duplicate these programs once they're established? Is that a bit of a political issue inside the college sector itself? How does that get determined?

Dr Meyer: Right now, we're in a state of flux, and this is one of the issues that the colleges are facing: the real question of who does program approval and how is it regulated and where is the best decision as far as what gets funded and what doesn't. This is about a two-hour discussion, but the short answer is that the province does some of that decision-making, and some of that decision-making is done locally.

The Chair: Thank you for your presentation this morning.

Dr Meyer: Thank you very much for the opportunity.

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ONTARIO FINNISH RESTHOMES ASSOCIATION

The Chair: I call on the Ontario Finnish Resthome Association to please come forward.

Mr O'Toole: On a point of order, Mr Chair: When there are four or five minutes, I'm wondering if we could find, with the limited presenters today, that we go two

minutes per caucus or something like that. I'd put that to the committee in the interest of equity. We're here, and we may each have a question. I think we probably have time to entertain an extra minute here and there.

The Chair: The Chair recognizes your point. I've been watching the morning's proceedings. Questions have ranged anywhere from two to four minutes.

Mr O'Toole: That's because we have two to four minutes. You fill the time.

The Chair: I'll put it to the committee. If each party has two minutes and the answer takes two minutes, we won't stay within the five minutes that we agreed on. So what I'm doing is, if questioners don't ask their time allotted, I move to the next group. We would definitely get behind if we were to exceed this, and in fairness to presenters who are waiting, I will proceed as I have been. With that in mind, the official opposition will have the next question.

Sir, good morning. You have 10 minutes for your presentation. There could be up to five minutes for questioning. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Mr Lewis Massad: My name is Lewis Massad, and I'm the executive director of the Ontario Finnish Resthome Association here in Sault Ste Marie. I welcome you today to Sault Ste Marie, and I thank you for giving me the time to address this committee.

The Ontario Finnish Resthome Association is a multi-level long-term-care complex. Within our complex, our association has a 134-unit seniors' independent apartment housing complex, as well as a 101-unit supportive housing project for frail elderly. The final component of our complex is a 60-bed nursing home.

I appreciate that the government has invested significant resources in terms of the development of new care standards for long-term care and has increased the funding component to support the new enhanced standards. The ministry is also currently reviewing and preparing proposed legislation to govern long-term-care homes. Such measures are long welcomed.

Today, I will not be specifically referring to nursing home operations, as I am sure, through this pre-budget consultation, reports will be prepared by various provincial associations representing nursing homes. Today, though, I would like to address the operations and economic funding of supportive housing for frail elderly within the province.

I'd like to provide some background to you as committee members with respect to supportive housing and the benefits to seniors and, as well, the health care system as a whole. Supportive housing within the health care sector is a program designed to provide home-making, personal support and attendant services on a 24-hour basis. Homemaking and personal support and attendant services—the one single policy of the ministry is that they must be provided at no cost to the client. Supportive housing services assist the seniors to live independently, and most times they live in a cluster within a housing complex. In some facilities, such as in

our case at the Finnish Resthome, the rental component is subsidized through Canada Mortgage and Housing and/or through the local social services administration board.

Generally a landlord-tenant relationship exists for housing and as well for accommodations, food, clothing and furniture. Other services such as medication reminders, assistance with banking, grocery shopping and such are provided. Professional care, primarily for nursing care, is either obtained independently or acquired through the community care access centre.

Since these facilities and programs have been in existence in the early 1990s, it has been recognized that they are a very valuable, cost-effective means to allow seniors to remain independent as long as possible. However, the system is problematic. I believe that throughout the province there is no consistent provincial strategy with respect to the establishment of guidelines and standards of care, and especially a lack of policies with respect to the funding of such programs. There are not even any provincial guidelines, criteria or policies for eligibility, waiting lists, levels of care or staffing to be offered in supportive housing.

Accessing information through the freedom of information act has brought to light the fact that the fiscal subsidy per facility and/or client is very problematic and inequitably scattered throughout the province. There are both facility and regional inequities within the supportive housing funding system. There are approximately 105 various supportive housing programs for the frail elderly in the province. Based on economic data from 2002-03—I don't think it has changed significantly since then—the range of funding for similar facilities is somewhere between \$900 and, up to the highest, \$26,000 per client per year. The average is about \$9,000 per year.

In particular what is of concern to the Ontario Finnish Resthome Association is that currently our 101-unit supportive housing project is one of the lowest. It receives only \$1,900 per resident per year. Clearly the facts indicate there is an inequitable funding system for supportive housing facilities and their clients. To provide a comparison to nursing home operations, which is in sharp contrast to the funding mechanism, there is consistent application of funding among long-term-care nursing homes throughout the province.

Currently, the Ontario Finnish Resthome Association is seeking from the government and the Ministry of Health and Long-Term Care equitable funding to bring our facility up to at least the provincial average. I believe that one of the roadblocks our facility is facing with its inequity is that there are no provincial operating or funding strategies with respect to supportive housing. When we've asked bureaucrats, "Why the inequities?" there really isn't any explanation or known reason. How can you solve a problem when you don't know what is creating the problem to start with, in our facility's case?

I believe it is important that the ministry must ensure the system is thoroughly reviewed and that there be a consistent application of standards and funding among supportive housing. It is evident through the literature

that supportive housing does offer a very cost-effective means to allow seniors and the frail elderly to remain independent while receiving the appropriate levels of care they need. In short, supportive housing provides a logical, cost-effective alternative to the premature admission of these seniors to nursing homes and, as well, the inappropriate admission of seniors and their stay in our acute care hospitals.

In times such as now when resources are limited, I believe the Ministry of Health, as a result of these pre-budget consultations, must seriously consider supportive housing as an economic alternative in the continuum of care. Funding supportive housing programs at an average of \$9,000 per client per year is much less than funding of approximately \$28,000 per year that the ministry provides to maintain an individual in a nursing home. Even more so, the funding required to maintain supportive housing is much less than that required to maintain individuals inappropriately in our hospital acute care system.

Clearly, supportive housing programs have a role within the realm of long-term care and community-based care. Through adequate funding of supportive housing, fewer pressures in terms of inappropriate admissions will be placed on hospitals and, as well, nursing homes.

I therefore ask, through the provincial budget process, that priority status be given to adequately funding supportive housing facilities on an equitable basis. To ensure province-wide accountability, the Minister of Health must also establish provincial strategies comprehensive to the operation of supportive housing.

Thank you very much. I'll answer any questions.

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The Chair: We have five minutes for questioning, and we'll go to the official opposition.

Mr O'Toole: Thank you very much for your presentation—quite interesting. I don't want to belabour it; I want to find out what, in your mind, is the difference between what you're referring to as supportive housing and long-term care and other community providers. In our area—I've been doing this for 10 years and longer—I don't know of any supportive housing as you describe it here for elderly, frail elderly and medically vulnerable types of people. They are either in long-term care or in retirement homes, where they pay the whole shot. I'd like you to elaborate on that. I'll give you a bit of time. In my view, we aren't familiar with what you're speaking of.

Mr Massad: It's a small program within the community-based system of long-term care. It's approximately a \$55-million-a-year provincial initiative.

Supportive housing isn't available throughout the province, to start with. There are some regions that have it; there are some regions and local areas that do not have supportive housing. The primary difference is that they receive care and attendant services, which is just what many of these individuals require. They don't actually require admission to a nursing home per se, but they still benefit from communal living in a common setting.

Mr O'Toole: We have limited time, and I'm not trying to be rude—

Mr Massad: I know. That's fine.

Mr O'Toole: In our communities—this is what I understand from what you've said—we have community care access centres. When a person is discharged from a hospital or other health provider, there's a diagnosis of the kind of supports they need within the community to live independently, as you put it. That's how it works. What you're asking us, or in fact the government, is to find some consistency between long-term care and community care, and the programming you're providing. As I understand it, you have almost 300 units—294 units—at your facility. You're providing shelter, medical alerts and a whole bunch of other kinds of services that are in some respects not provided in our area. I'm not saying they shouldn't be, by the way. What you're asking the government to do is provide consistency, but it sounds to me like you want to be funded like long-term care.

Mr Massad: The funding should be like long-term care. However, it's in fact a much more cost-effective way to provide the service than even community care access centre care by the fact that you have individuals in a communal setting and you don't have care providers going from one house to another.

Mr O'Toole: There may be some value in that. I say that because—we have five minutes; we don't rotate here, otherwise I'd give Mr Prue a chance. What I'm trying to say is that I understand what you're saying. Providing in-community support where there are geographic challenges like there probably would be in northern Ontario—in my riding we often find care providers doing personal hygiene and that kind of support in the home are driving longer than they are actually providing the service. They're driving all the time. I've often thought there should be a different mechanism for delivery, and here maybe it's by bringing to a community, if you will, more of an institutional type of setting. Is that what you're suggesting?

Mr Massad: Exactly.

Mr O'Toole: Is it because of geography? If you're in remote areas in Ontario, you wouldn't want somebody coming in with a helicopter to give you some kind of medical support or personal care support.

Mr Massad: Sometimes it is more beneficial to a resident to be in a community setting. Sometimes it's more cost-effective from a transportation perspective. What I'm suggesting is that it is a very cost-effective means as an alternative to these expensive nursing home operations throughout the province, one of which we operate. It's a very cost-effective alternative to that. I believe the government does need to look at it as a serious alternative, establish some consistency and look at it as a provincial priority.

Mr O'Toole: I just want to put on the record, if I may, that I'm actually dealing with my mother-in-law. She is currently in a retirement home. She pays \$2,200 a month, plus phone and cable—her money, no subsidy; it's a retirement home.

She had a fall before Christmas. She's now in a rehabilitation hospital, and I'm looking into long-term

care. She can't get into long-term care because of the extreme waiting list. In long-term care, she will be paying out of her pocket \$2,000 a month. Plus, they get the government support, which you've said in your report here. Plus, the only income she'd really have will be her Canada pension or her old age security.

The Chair: Thank you for that personal touch, Mr O'Toole.

Thank you for your presentation this morning. I appreciate it.

ROD MYERS
PHYLLIS WALLS
JOHN ZAMBUSI

The Chair: I would call on the Algoma chiropractic association to come forward, please.

Good morning. You have 10 minutes for your presentation. There would be five minutes for questions if you so wish, and I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Dr Rod Myers: I'm Rod Myers. I'm a local chiropractor. I've practised in Sault Ste Marie for 26 years. I'm presenting a handout for the committee today on the cost-effectiveness of chiropractic care. As you all know, it has been a very contentious issue. Chiropractic was delisted with the last budget. I think that was financially a poor decision. There's overwhelming evidence of the cost-effectiveness of chiropractic care.

Within this handout, there's a very good recent article that was published in the Archives of Internal Medicine, United States. It's an American Medical Association journal. It covers a managed health care network in California, where they had 1.7 million patients. One million of the patients had medical coverage only. If they sought out a chiropractor, it would be like in Ontario: You'd have to pay for it out of your pocket. Some 700,000 had medical care plus chiropractic care. The insurance company thought that would be an add-on benefit. It would actually cost them more money in the end to have this type of care. As it turns out, at the end, there was a \$200-per-year-per-patient saving when chiropractic was included in the health care system. That's a significant saving.

There's overwhelming evidence, again, that it's not only cost-effective but it's clinically effective. It leads to significantly lower lost time from work, which is not a direct government issue but it certainly affects the economy of the province.

A Liberal report done in 1994-95 by Professor Manga, a well-respected health care economist at the University of Ottawa, showed this. He was hired by the Liberal government. He spent \$4 million showing—it was basically not to show anything; it was to see how chiropractic integrated into the health care system. He came back to the government and stated that they'd missed the boat. If they fully integrated chiropractic care into our health care system with no limits, as it is with medicine, the savings

would be in the hundreds of millions of dollars in actual costs and equal to that in lost productivity to the province.

Today I brought with me two patients: Phyllis Walls, a paediatric nurse, and John Zambusi, a local detective. They wanted to come and talk to the committee, on my coaxing, on how chiropractic is affecting their health and how the delisting is affecting their financial situation and their health care.

Ms Phyllis Walls: I have been a registered nurse for 34 years on the paediatric unit. Fifteen years ago, I was severely injured by a 16-year-old patient. At that time, because of the way it was set up through compensation, I had to go through medical physicians. For six months, I went to an orthopaedic surgeon and my own physician, went through steroid injections in my back, different things, pain medication, muscle relaxants.

After six months of not working at all, the orthopaedic surgeon asked me if I would like to see a chiropractor. I had told him on that day that I had decided that I was going to ask him to see a chiropractor anyway, because I had seen Dr Myers previously for a lower back injury. Because my back was in such a mess, it took us another six months, but within the six months, I was back to work. I've had repeated injuries since.

1120

Dr Myers: If I could just interject for one second. It was interesting that the orthopaedic surgeon she was under the care of was trained in Saskatchewan at Royal University Hospital. He had trained with a Dr Kirkaldy-Willis, a very famous spine surgeon. Dr Kirkaldy-Willis has a unique situation where his orthopaedic clinic for back pain has five chiropractors on board. We're talking about cost-effectiveness right here. He's done lots of research on chiropractic care, and he found that it improved their results and the cost-effectiveness of the care significantly at Royal University Hospital. So this orthopaedic surgeon had previous experience with using chiropractic care.

Ms Walls: Previous to it being delisted, I was hoping that it would be increased. But when it was delisted, I found it frustrating that I can go and see my medical doctor as many times as I need to see her, but she is not going to do me any good; in fact, she does not have anything to do with my back care. She leaves all my back care up to Dr Myers. When I'm in an acute phase, I see him every day of the week, but when I'm in a good phase, I see him a minimum of once a week. So at \$20 a week, that costs me \$1,000 a year.

Dr Myers: That may seem excessive, but if you saw her MRI, and you know, as a nurse—

Ms Walls: And I just had another re-evaluation—

Dr Myers: By an orthopaedic surgeon.

Ms Walls: —who agreed with what was going on. Because if I don't have the treatments, I don't work.

Dr Myers: And it is that simple. We have medical evidence. If the committee wanted, I'm sure she wouldn't mind having the report from compensation and the orthopaedic surgeon and a copy of the MRI. Without

treatment, she wouldn't work. It's that plain and simple. I've got thousands of patients like that. We're still part of a health care system, but we're not part of a socially assisted health care system. There's a disincentive for a patient to come and see me now.

Mr O'Toole: It has been privatized.

Dr Myers: Right.

Now, has it hurt me personally? It hasn't hurt my practice one bit because people can't access this care any other way. We provide a unique care that isn't offered in the medical system.

Mr John Zambusi: My name is John Zambusi. I'm a local police officer. I also suffered an injury, about 17 years ago. I had several orthopaedic surgeries done. I hit a roadblock where I was having problems with my back on a daily basis. I was unable to work. Both my orthopaedic surgeon and my family doctor suggested that I go see a chiropractor. Because of that, I've been able to maintain my employment on a regular basis. Before I started seeing a chiropractor, my only options were to stay home and take painkillers.

I don't understand budgets; I don't understand finances; I don't understand politics. What I do understand is common sense, and the bottom line on this is that there's a saving to the community, to society. If I'm able to work, my employer is happy, he's saving money; the community is happy because I'm going to work. If I can go and spend \$20, \$10, whatever it is that a chiropractor is charging for me to go get an appointment and have a treatment, and I'm able to go to work, I think that's very cheap. I think that's something that this government should take a look at: In the long term, are we spending money or are we saving money? In the short term, yes, by delisting chiropractic care, you're probably saving something, but in the long term—

Dr Myers: That's not what the studies show. The studies show it's going to cost you more money to delist it.

Interjection.

Dr Myers: You'll save \$100 million, but how much of that money are you actually saving or is going into medical care that would have been going to chiropractic care? That's what I'm saying. There's a study here that explains the cost-effectiveness. When chiropractic was combined with medical care, there was a significant savings; it was in the tens of millions of dollars for an insurance company. So it wasn't an add-on cost; there was actually a reduction in costs, because the patients in this group, when they had equal access to medical and chiropractic care—45% of them chose chiropractic care. For other neuro-musculoskeletal problems, one out of three chose chiropractic care when it was equally available, and the savings to the insurance company was over \$200 per patient.

The Chair: Thank you. You have about a minute left in your presentation, if you wish to make a further comment.

Dr Myers: No.

The Chair: OK. We have five minutes for questions, and we'll begin with Mr Prue of the NDP.

Mr Prue: My first question is a technical one. You referred to the Manga report as a Liberal report of 1993. I assume that was prepared, then, for the federal government.

Dr Myers: No, Tom Wells was the Minister of Health. I think it's called the Wells report. I think David Peterson was the Premier.

Mr Prue: Not in 1993.

Mr O'Toole: It was 1990.

Dr Myers: OK.

Mr Prue: The report was in 1990, then?

Dr Myers: Possibly. I don't know when the report was published.

Mr Prue: It says 1993, according to you—

Dr Myers: OK, thanks.

Mr O'Toole: It was commissioned by the Liberals, but it was before the election.

Dr Myers: I see. OK. I don't know the political aspects of it.

Mr Prue: All right. You've made quite a compelling case. This is a political decision—in my view, not a very smart one—that was made in the last budget. It is going to take a great about-face from this government to turn around and say, "We blundered."

Dr Myers: Well, there were 600,000 names on petitions, and that's in five months. About 1.2 million or 1.3 million people in Ontario use chiropractic care. If there was better access, I think you could probably double that and save money, and that's what Manga's report said. He knew nothing about chiropractic. He wasn't hired by chiropractors; he was hired by the Ministry of Health to look at it, unbiased. This is what the report says, and everyone says, "I don't think so. It doesn't make sense." Well, then why do a report? Now the California report is substantiating, in real life, what Professor Manga stated.

Mr Prue: OK, but to get back to the nub of the question, this is going to take quite a turnaround, because it only just happened that you've been delisted or privatized or whatever, and the budget is coming up in April. You've given an economic incentive. What kind of political incentive might you suggest? Obviously, the Conservatives have advocated for you and so has the NDP, but it's falling on deaf ears.

Dr Myers: I don't know what else we can say. The reports are done, the research is there. The community—if you look at the polls we're taking, 80% of the people of Ontario think chiropractic should be part of health care. I know the Canada Health Act doesn't include us. I look at the budget for health care, and essentially the Liberal government is paying for what they absolutely have to under the Canada Health Act. I know they're not getting federal funding for chiropractic care because we're not in the act, but that act is from 1967, I would imagine.

I don't know how you do it. You do the right thing.

Mr Prue: The argument that's been made is that other provinces never funded chiropractic care and that's why this government chose not to fund it as well.

Dr Myers: Some provinces do.

Mr Prue: Yes. Do you know which provinces continue to fund chiropractic care?

Dr Myers: Manitoba, Saskatchewan and Alberta, and British Columbia partially, I think.

Mr Wilkinson: I think British Columbia delisted it.

Dr Myers: No, I think it's covered for people under \$30,000, so there's partial coverage. But I don't keep up with politics. I'm a clinician. I'm being put in a political situation where I'm not really—

Mr Prue: You said that your private practice hasn't suffered at all. You've still got the same number of patients; they're just having to pay out of their own pockets.

Dr Myers: That's right.

Mr Prue: Are you finding that they're paying out of their own pockets, or do some people's insurance companies continue to pay this? Or is it a combination of both?

Dr Myers: It's a combination of both, and there are people I have treated all along for nothing because they don't have money and they could never afford the copayment. I saw one person already this morning whom I have to treat for free because he has no insurance and he has no money, but I'll keep doing that.

Both of these patients can verify that I have a very busy practice. It's not about money; it's about care, and it's about health care. This is about primary health care in the north. We have a significant shortage in the hospital, don't we?

Ms Walls: Yes.

Dr Myers: We have a significant shortage of primary care givers and there's a disincentive now to go to a chiropractor, who is a primary care provider.

The Chair: Thank you for your presentation this morning.

Dr Myers: Thank you for the opportunity to come and speak.

1130

GROUP HEALTH CENTRE

The Chair: I call on the Group Health Centre to come forward, please. You have 10 minutes for your presentation. There will be five minutes for questioning. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr David Murray: My name is Dave Murray. I'm from the Group Health Centre here in Sault Ste Marie.

As I prepared my submission for today, I looked back at my previous presentations. Provincially, on the health care front, progress toward reforming the health care system has been slow. In past years, I urged the government, through this pre-budget consultation process, to support our unique and successful model of integrated health care. We did, and continue to, believe that it represents a very workable model for the future of primary, ambulatory, community-based care. This has

been a common theme throughout the many years I have sat before you.

In my past presentations, you heard about our multidisciplinary care that brings GPs, specialists, nurse practitioners and dozens of other allied providers together to deliver virtually seamless care. I've told you about how we utilize our EMR—electronic medical record—to provide the best chronic disease management programs in the country. We are the only organization to win three consecutive national best-practice awards. We've mentioned how our programs save the system money by reducing hospitalizations and other complications. Lastly, we usually talk about the long list of visitors who come to our centre.

Michael Decter, chair of the national health council, after a recent visit said, "You are doing at the Group Health Centre what others are just dreaming about." Dr Michael Rachlis, noted author, calls the GHC the "jewel in the crown of medicare." We were even fortunate to have the Prime Minister visit us in the past year.

This year I will be taking a different approach. I may be a bit of a slow learner, but eventually I realized that if my message wasn't being picked up and action being taken, then I should not spend my limited time with you trying to convince you of a course of action that history has shown is obviously quite futile. From that perspective, I'd like to talk to you about some of the big-picture issues facing our province and our health care system. Today I want to talk to you about three major issues: health care funding, local decision-making and wiring primary care.

Let's start with funding of health care—and here's where I'm going to make a lot of enemies. I do not think we should be spending more public money on health care. Let me put that another way: I think there's already enough money in health care.

As an aside, I've got two daughters who are just completing their university degrees. After having spent many thousands of dollars over the past four years, I'm not convinced that they got as good a post-secondary education today as I did some 30 years ago. Classes are much larger, resources are scarcer and out-of-pocket costs are much higher.

Of course, with a publicly funded system, when we make decisions to fund health care, other programs and services have to take a back seat. Education, roads and other services have paid the price for a publicly funded health care system that seems to grow uncontrollably. We cannot allow health care to continue to crowd out other public services and programs.

On a similar note, I think it's shameful that the richest province in Canada cannot afford to have a four-lane highway across it. The carnage and loss of life in this area—if you go basically from Parry Sound to Wawa, there are dozens and dozens of people killed on our highway every year. It's got to be one of the worst pieces of highway. I know you're probably well aware of that, but it's something we should be ashamed of in the richest province in Canada. That's not to underscore the fact that

a four-lane highway would actually add a lot of economic benefit. There's a tremendous amount of our trade that ends up going through the United States because the freeway system happens to be better down there, which could really be going across Canada.

While I'm asking that you consider not spending a larger percentage of government dollars on health care, I also believe that if you are to hold the line, you must make sure the mechanisms and tools are in place to allow the system to reorganize to survive within such funding constraints.

This leads to my second point: local decision-making. The recent proposal concerning local health integration networks is a promising step, assuming it is implemented as planned. Effective health care services rely on a variety of approaches. These must be flexible to meet the varying needs of our different areas of the province. Our area, like most of the north, has always struggled with a lack of physicians and other health care professionals. This has led to some very innovative solutions. In the north, the GPs do more than their urban brethren, often doing work that would be done by specialists if they were available.

Our organization was the first in Ontario to use nurse practitioners. We had them trained in North Carolina in 1972, over 30 years ago. We've also pioneered the use of nurse-run clinics for anti-coagulation treatment, congestive heart failure programs, injection clinics and other chronic disease management programs. These were made possible because of our ability to use funds where they made the most sense. If we truly want to see a reformed system, local communities must be given control over resources.

Certainly, if one looks at history, it would seem that centralized planning and decision-making have had little ability to control costs or reform the system. Using siloed-funding approaches to try to control costs is like squeezing a balloon full of water: the cost simply shifts somewhere else. As well, ministry-wide funding freezes are a very blunt tool, as they penalize good performers as well as poor performers.

IF LHINs do, in fact, shift control and decision-making to the regional or preferably the community level, the government and ministry must ensure that the broader resource allocation decisions are made fairly. Spending on various types of services varies widely across the province. When CCACs were set up almost a decade ago, there was a 700% variation in the spending per capita on home care services. Such inequities are not acceptable to the citizens of Ontario and should not be tolerated by the ministry or the government.

If the resource allocation formula is fair, it will ensure that local communities have their fair share of resources to make the best arrangements possible for service delivery in their areas. Areas such as ours that have significant physician shortages are penalized twice. First, we do not have the services because we don't have the physicians, and second, the money that would pay for those services goes back into the provincial OHIP pot for

overserved areas to reap even more—hardly a fair arrangement.

Finally, with local decision-making comes the need to access timely information to make the best possible decisions. As you know, we operate the largest primary care electronic medical record system in Canada, over 100,000 records. Our physicians, whether in their office, at one of our clinics, at the hospital or at one of the long-term-care facilities access the same chart: all the lab tests, diagnostics and consultations from outside of the centre are conveniently located in one place. Our GPs can electronically communicate with specialists while the patient is in their office. This saves time and money and reduces duplications and delays.

The EMR is without a doubt the most powerful tool we have available to us to improve the efficiency and effectiveness of health care, yet according to information we received from our vendor, only 6% of GPs across the country use an EMR for clinical purposes. Considerably more use it for appointment and billing purposes. So my third point is around wiring the physician's office. Some \$150 million of one-time funding was made available to Ontario through the Primary Health Care Transition Fund from the federal government in 2000. Some four years later, these funds have still not found their way to the front lines. Of the original amount, \$118 million was recently provided to the OMA to assist in trying to get EMRs in use across the province.

Although the amount sounds impressive—\$118 million—let me provide you with a brief and somewhat unscientific comparison. Each year between 6% and 10% of the population is admitted to the hospital. Roughly 80% of the population accesses health care. The 80% obviously includes that 6% to 10%. What this tells us is that 85% of the people who actually access health care services in this province do so outside of the hospital. Setting aside the fact that hospitals deal with the more intensive work, if we look at that 85% and we look at the 15% that the hospitals provide, we note from information provided by the Ontario Hospital Association that the OHA spends around \$200 million per year on information technology to deal with that 15% of the activity.

When we go over to the doctors' side of the world, the physician's office side of the world, we see that we are going to spend \$118 million once—someday, we hope—to take care of the 85% of the activity. If we were to put these two into perspective or into parity, we should be spending several hundred million dollars per year wiring primary care offices.

When you are in need of emergency care, it is the information that sits in your physician's office that is usually the most critical: the drugs you are on, recent test results, allergies, pre-existing conditions. This is the information that is needed. So my final plea is that in setting priorities, the government realize that some investments do have an excellent return in system savings, better outcomes and improved quality of care. The electronic medical record is one such investment.

To recap, my three themes today were around the fact that there probably is enough money in health care, if we

distribute it across the province fairly and allow local communities to make the decisions about how services should be delivered. Finally, such a system can only achieve sustainability and meet the needs of the public if we use information technology and the leverage it can provide to vastly improve the system.

You have a difficult task ahead of you, and I wish you the best in your deliberations. Thank you for the opportunity to speak to you.

The Chair: Thank you. We do have five minutes for questioning, and we'll begin with the government.

Mr Oraziotti: Thank you for being here this morning, Mr Murray, and thank you for the presentation. Can you elaborate for the committee on the role the Group Health Centre is playing in health care in the community of Sault Ste Marie and the role it can play in integrating family health teams and similar type models into the province's health care system?

Mr Murray: The Group Health Centre, which has been around for over 40 years, provides the vast majority of primary and ambulatory care in the community. It's a fairly large organization. It's got a community board and is a not-for-profit organization. The centre itself is a partnership between that community not-for-profit and an independent medical group which represents the 60 or so physicians who work at the Group Health Centre, and together we provide a very wide range of allied health services to this community. Because of the infrastructure that the community not-for-profit provides, like an EMR, very sophisticated information technology, great facilities and good equipment, we can provide very well-coordinated and seamless care.

Mr Oraziotti: How well do you think the Ministry of Health officials really understand and comprehend the Group Health Centre operations, the history of it, why it works so well, why it has been such a successful model in terms of actually reducing costs and being effective in terms of health care delivery? Is there more that our government can do to impress upon Ministry of Health staff to work more co-operatively with the Group Health Centre and to understand the model better?

Mr Murray: I think the short answer is yes, there's more that can be done. You have to understand that the Group Health Centre is a model which is different from all other models in Ontario. Because it's different, it has not won the support of a lot of the major powerbrokers within the province, and that continues to be a challenge for us.

The Chair: Mr Wilkinson?

Mr Wilkinson: It's specifically about the barriers that you face, David. I really appreciate the presentation that you've made, and jumping back up to the \$30,000—because we know with the LHINs and the type of proposals we have out there, I think there are vested interests in the province that don't want that to succeed. I'd be interested in your advice about what you perceive as those barriers, and specifically the things that we need to be very cautious about so we don't fall into a trap of not having these things succeed.

Mr Murray: I think one of the biggest challenges with LHINs on the horizon is the fact that we're initially talking about CCACs and hospital funding. Once again—and this goes all across the country—the physician component is left out of the integration efforts, the regionalization efforts. You can't really run the system without physicians being part of it.

If I look locally—and I talk about the OHIP pot of money—we don't draw on the OHIP pot of money the way we would if we had a full complement of physicians. We're short about 30 physicians, GPs and specialists, in this community, which means that we're not hitting the OHIP pot of money for several million dollars. We lose that money. If that money somehow was dedicated to this

area so we could look at alternative ways of trying to provide those services—whether it's with more permanent locum situations, training nurse practitioners or using other allied providers—at least we'd have the resources to make those decisions locally. As it is, as I mentioned, we're penalized twice: We don't get the service and the money goes off and gets used somewhere in Ontario where there is already an oversupply. It's just not fair.

The Chair: Thank you for your presentation this morning.

This concludes our hearings in Sault Ste Marie. We are adjourned.

The committee adjourned at 1139.

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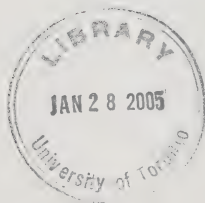
Mardi 11 janvier 2005

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires



Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Tuesday 11 January 2005

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mardi 11 janvier 2005

The committee met at 0906 in the Holiday Inn, Sudbury, Ontario.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will come to order.

Mr Mike Colle (Eglinton-Lawrence): On a point of order, Mr Chair: There was a deputant who assumed that her name had been put on the list. She's from the Sudbury audiologists, Joanne Querney. She wanted to ask that she be allowed to be put on in the 11:45 spot, if that's OK with the rest of the committee.

The Chair: Are you asking for unanimous consent?

Mr Colle: Yes.

The Chair: All in favour? Carried.

Mr John Wilkinson (Perth-Middlesex): On a point of order, Mr Chair: With regard to the business before the committee, I seek unanimous consent for the city of London to be invited to appear in front of us in London; that the National Cancer Leadership Forum, which is the cancer society and Cancer Care Ontario, make a joint presentation, to be made either in London or Kingston; and that a group called VITAL, specifically a Judith Leon, be invited to appear anywhere—Toronto, Kingston, Whitby or London, wherever it would work.

Mr John O'Toole (Durham): Just a comment. I wonder if Grant Hopcroft, a person we've been in touch with in the city of London—

Mr Wilkinson: And Anne Marie DeCicco, the mayor of London.

Interjection.

Mr Wilkinson: That would be that, yes.

The Chair: Are we agreed? Carried.

Any further business? Seeing none and hearing none, we will begin our presentations this morning.

NICKEL DISTRICT
CONSERVATION AUTHORITY

The Chair: The committee is pleased to be in Sudbury. I would ask for the Nickel District Conservation Authority to please come forward. I would ask people to turn down their BlackBerry or any telephones or whatever. We're getting some noise in the recordings.

Good morning, gentlemen. You have 10 minutes for your presentation and there will be five minutes for

questions. I would ask you to identify yourselves for the purposes of our recording Hansard, and you may begin.

Mr Ronald Bradley: Good morning, ladies and gentlemen. Thank you for the opportunity to appear before the committee. I am Ronald Bradley, chairman of the Nickel District Conservation Authority of Sudbury, and this is Paul Sajatovic, resources planner for the NDCA. As well, I am currently a councillor in the city of Greater Sudbury.

I am here today to make some brief comments to you as you proceed with your pre-budget consultations. I intend to provide some local perspectives on the work of our conservation authority and the issue of provincial transfer payments as it affects our conservation authority and our member municipality, the city of Sudbury.

To begin, I want to acknowledge the provincial government's investment of \$12.5 million for conservation authorities to prepare for the source water protection planning effort in Ontario, and \$5 million to match local funding for repair and replacement of aging infrastructure, including flood control dams and erosion control works which were built with provincial assistance. There is no question that these are important investments that will help protect drinking water, ensure public health and protect lives and property from flooding and erosion. It is our understanding that the government remains committed to providing targeted funding in 2005 to continue these specific initiatives.

I also want to acknowledge the government's support of conservation through property tax relief. The approval of the conservation land tax incentive program regulation for community conservation lands is very important and will make it easier for conservation authorities to protect lands of natural and environmental significance. This program will become even more important in the future as conservation authorities, provincial and municipal governments and other partners address issues such as source protection planning.

Our community partners and the Nickel District Conservation Authority are underway with the source protection planning project. In 2003-04, the Nickel District Conservation Authority completed four projects with the special funding provided for water management capital infrastructure renewal. This included work on our primary flood control structure, the Maley dam, and 1,755 metres of concrete box culvert located in the downtown core of this city. In 2004-05, we will complete three

more capital infrastructure projects for the benefit of our watershed residents. This includes additional upgrades to the Maley dam and repairs to the flood control box culvert to ensure its long-term capabilities.

The conservation land tax incentive program recently announced by the province to protect lands of environmental significance will likely provide tax relief for our Lake Laurentian conservation area, which is 2,400 acres of green space located only 10 minutes from the downtown core and is one of the community's natural treasures.

The NDCA and our member municipality certainly appreciate the commitments from the province, as previously mentioned. However, there is another issue I must comment on. In fact, we have already discussed this with the Honourable Rick Bartolucci, Minister of Northern Development and Mines, and the mayor of the city of Greater Sudbury, David Courtemanche, who was a member of the NDCA board for six years. The issue is the significant shortfall in provincial funding to all conservation authorities, the Nickel District Conservation Authority included, for the implementation of mandated programs like flood and erosion control programs etc.

Currently, \$7.6 million in annual funding is provided through the Ministry of Natural Resources for provincially delegated responsibilities and is shared among all 36 authorities. Subsequent to the significant funding cuts in the mid-1990s, there was a commitment that 50% of the costs to deliver some of these provincial-interest programs would be covered by the province.

Last summer, a report entitled Reinvestment in Ontario's Conservation Authorities—Now and in the Future was submitted to the Honourable David Ramsay, Minister of Natural Resources. The report shows, based upon a review of the 2002 audited financial statements of the 36 conservation authorities, that they experienced a \$9.1-million provincial funding shortfall. A \$13.8-million provincial funding shortfall is projected for 2005.

The NDCA general board fully supports this report. As well, we presented this issue to our member municipality, and city council unanimously endorsed the initiative. This is especially important since our member municipality has had to deal with significantly higher funding requests from the NDCA due to the lack of adequate funding from the province. For example, since 2001, the city's levy allocation to the NDCA has increased by \$40,000, or 18%.

The NDCA and our member municipality, the city of Greater Sudbury, have reached our limit in being able to generate additional revenues. As a councillor in this city, I must further emphasize that point. We cannot keep up with the demands for improved roads, adequate leisure services and improvements to our natural environment. We need a reinvestment by the province to the conservation authorities and a return to appropriate transfer payment funding levels in order to strengthen our ability to provide leading-edge watershed management in our area to continue to protect life and property, which remain at risk.

Therefore, the NDCA respectfully requests that the 2005 provincial budget address the shortfalls identified in the previously mentioned report by increasing the Ministry of Natural Resources' provincial transfer payments from \$7.6 million to \$21.4 million.

In summary, thank you for your time and consideration of our submission. Ontario's conservation authorities embody a partnership of the provincial and municipal governments focused on addressing some of our most pressing water and other natural resources management issues. For this arrangement to work, there must be a fair and equitable cost-sharing arrangement in place across all program areas. The health, well-being, lives and property of current and future generations depend on it.

I am pleased to leave you a copy of this presentation. It was given to the clerk. Thank you very much. Are there any questions?

The Chair: Thank you very much for your presentation. The questions this round will go to the official opposition.

Mr O'Toole: Thank you very much for your presentation. I guess I could put you down on the list as a return to the good old days of increasing the transfer payment. I don't want to presume that's wrong. How much more? Would you like to double the budget? How much would you like for the Sudbury conservation authority? Any idea in your budget what your shortfall is?

Mr Bradley: Certainly, if we double it, it would be really appreciated.

Mr O'Toole: That's good. I guess we'll put you down as a yes, then, for more money.

There are functions that the conservation authorities perform that aren't core business. That's really the question. I'm not familiar here but I am familiar with some of the other conservation authorities. I served on the Central Lake Ontario Conservation Authority for several years, and they were running a lot of programming and parks and things that weren't exactly core business.

Mr Bradley: We appreciate that the—

Mr O'Toole: Flood control. I'm not trying to be smart. That was the intention.

Mr Paul Sajatovic: The report that's referenced deals with core functions. Those functions that are considered non-core are not a part of the review that was done in the report that was submitted to the minister. It focused on the core functions: flood, erosion control, those kind of things that are our core functions. We recognize that those outside functions either have to be funded otherwise or dealt with differently. So this is just core programs that this report refers to—the shortfalls.

0920

The Chair: I would ask if you would identify yourself for our recording, please.

Mr Sajatovic: The first name is Paul; the last name is Sajatovic. I'm a staff person with the authority.

The Chair: Thank you very much. Mr Barrett.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Just briefly, as you indicated, the conservation authority can't keep up with demands. The source water protection legislation—it was indicated by the government that it was going to come forward last year, and it has not come forward yet. I just wanted to get a feel from the perspective of the mining industry or the forestry industry. Do they have an idea of what's coming, what the costs may be? I'm wondering to what extent there has been consultation within your watershed as far as how it may impact on a lot of the industries that you work with.

Mr Sajatovic: In 2003, when the first white paper was sent out in our area, through our board, our chairman and our vice-chairman, we formed what we called the Sudbury Community Partners Group to begin the whole process, which includes municipal representatives—we have some government agencies, but we also have the involvement of the two major mining companies at fairly high staff levels. So throughout that process and then responding to the next series of reports, they've been involved in that. I guess the next stage to really get them involved would be once we ramp up to form the source protection planning committees. They are identified as key partners to be involved, so they definitely will have a membership. In terms of the details, the exact impacts, probably no, but in terms of the implications and what will be coming, definitely yes.

Mr Barrett: OK. Thank you.

The Chair: Thank you for your presentation this morning. We appreciate it.

CITY OF GREATER SUDBURY

The Chair: I would ask the city of Greater Sudbury to please come forward.

Good morning. You have 10 minutes for your presentation, and there will be five minutes for questions. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr David Courtemanche: Thank you, Mr Chair. Good morning, everyone, ladies and gentlemen. It's a pleasure to be here this morning to make this presentation. My name is Dave Courtemanche, and I'm the mayor of the city of Greater Sudbury. With me today is Sandra Jonasson, who is our CFO and city treasurer.

On behalf of city council and all of our residents, I'd like to welcome all of you to our city and thank you for inviting us to participate in these consultations.

Let me begin by telling you that the province of Ontario has demonstrated its commitment to the north by supporting a number of key initiatives, including the northern prosperity plan, a major step toward jobs and opportunities that northerners want and deserve; the new northern Ontario school of medicine, the first of its kind in Canada in 30 years; and the four-laning of Highway 69, a much-anticipated project that will make this route safer and will stimulate economic development. These are important initiatives that will enable us to strengthen our position as the economic hub of northeastern Ontario.

Clearly, the province has shown that it cares about the long-term viability of the north, and this is commendable. But all is not well in Greater Sudbury, and as a city we have some very real problems that we'd like to share with you folks today. These are problems that the province can address in a meaningful way in the 2005 Ontario budget.

In particular, and the handout that you have before you addresses it in detail, are three issues that we'd like to speak to you about today. First of all, it's the uncertainty of the community reinvestment fund, the CRF; sustaining our city's capital roads program; and the immediate need to develop a regional economic growth strategy for northern Ontario.

First of all, the uncertainty of the community reinvestment fund, which we like to call the CRF: We are in firm opposition to any decision that would further erode revenue neutrality and destabilize our local economy. The elimination or capping of the CRF will have a devastating effect on municipalities in northern Ontario. As an example, if you would cap the CRF to the 2002 level, it would be the equivalent of raising our municipal property taxes by almost 3% for the people of this city.

Furthermore, there continues to be a significant revenue imbalance with regard to the local services realignment, the provincial downloading of services of 1998. Every year, the city is forced to meet increasing costs associated with those transferred services. The CRF is not indexed to inflation, so there's no recognition of inflationary cost increases or wage or benefit increases. In addition, there is a need to remove the unreasonable administrative caps on many of the LSR services.

Secondly, sustaining our city's capital roads program: In 2002, city council looked at the municipality's fiscal needs for the next 10 years by developing a long-term financial plan. One of the key findings of the long-term financial planning process was the need for provincial and federal funds to sustain our aging infrastructure.

Budget pressures facing the city, like many other municipalities throughout the province, are significant and threaten the very sustainability of the community. The gap between anticipated expenditures and projected revenue continues to grow. A prime example is the poor conditions of our roads.

In 2005, the city will be spending \$17 million on its capital roads program—that's almost doubling our budget just in the last couple of years—when, in fact, the city should be spending \$28 million a year to meet local needs. While we appreciate revenue alternatives such as a share of the gas tax, which was recently announced, to sustain our public transit services, it is our capital roads programs that need the greatest investment.

We are asking the province to create a flexible program that would allow the city to spend its portion of the gas tax on its capital roads program, and not just transit. We are also asking the province to work with the government of Canada to do the same with the portion of the federal gas tax dedicated for cities.

We seek your support of our COMRIF application, which is the Canada-Ontario municipal rural infra-

structure fund. We've applied for \$45 million; \$15 million of that comes from the city, another \$15 million from the province. This is going toward our road infrastructure.

Thirdly, the need for an economic growth strategy in northern Ontario: The province and northern municipalities need to work in partnership to develop and implement a northern growth strategy. The northern mayors will be submitting our growth plan, entitled *Creating our Future*, in the coming weeks. This, along with the northern prosperity plan and the participation of the federal government, will be essential to stemming the tide of youth out-migration and the stagnant growth that has characterized the north for much of the past decade.

We recommend that the northern prosperity plan, which this government has announced through Minister Bartolucci in 2004, be implemented immediately. We ask that the government of Ontario work with us in 2005 to develop and implement a northern growth strategy using a similar process to the one used to develop the growth strategy for the Golden Horseshoe in 2004. We view this as an important investment in the future of northern Ontario.

In closing, I'd like to thank you for being here today and giving us the opportunity to provide input. We are confident that you will take our recommendations today under serious consideration, and we certainly hope that they will be included in the 2005 budget.

We do have the written submissions that have been distributed to you this morning. Once again, we thank you and welcome any questions that you might have at this time.

The Chair: Thank you. We'll begin the questioning with the NDP.

Mr Michael Prue (Beaches-East York): Thank you very much. The problem of downloading is not unique to Sudbury. Virtually every city, every town, every village in Ontario has been hit by downloading. You're making your case; it's severe. But is it any different from, say, other northern cities or other cities in Ontario?

Mr Courtemanche: I think what we really want to draw to your attention around provincial downloading is its relationship to the CRF, this community reinvestment fund. In fact, at the time that the downloading of services was announced, we were concerned about the issue of revenue neutrality: Would municipalities have the capacity to live with these services?

The intent of the CRF was really to allow municipalities to deliver those downloaded services, but clearly, in the last number of years, what we've experienced is that it hasn't been revenue-neutral for us. In fact, every year there is a cost to us. Some of it is related to inflationary costs. Sandra could speak to some of the details around its impact on our community.

We're very concerned right now that, through the process of reconciliation, the CRF might in fact become frozen if it's not reconciled. We just went through and completed our budget process prior to the Christmas holidays, but it was based on the assumption that the

CRF would come through for us. If it doesn't, we're probably looking at about a \$2-million or \$3-million shortfall, which means we'd have to go back and redo our budget once again. So we're very concerned about that. In fact, the outcome of our local budget process was a tax increase of about 3.3%, on top of which we've introduced a new capital levy in our community this year of 2.3% as part of a long-term financial plan that we believe is important to sustaining our local infrastructure.

0930

As a community, as a city, we're putting our cards on the table and making the investments we think are necessary for a sustainable infrastructure to deliver the level of services that we need to. But clearly, the CRF and other programs of the provincial and federal governments are required for us to be able to do that. So that's the real key for us, that the CRF does continue, and at adequate levels.

Mr Prue: That was a very long answer to what I thought was going to be a very short question. So you're looking at a 3% tax increase if the CRF is increased, and more if it's not, for this year.

Mr Courtemanche: Yes, 3.3%.

Mr Prue: How is that vis-à-vis other cities? I'm from southern Ontario. Mississauga is going in at around 6%; the city of Toronto is going in at around 4%. It doesn't seem to be untoward, but I would grant that the people in Sudbury probably think that's more than enough.

Mr Courtemanche: Well, if you look at the last couple of years, last year it was in the neighbourhood of 7.5%, and the year before I think it was just under 7%.

Mr Prue: OK, so you have in the past increased substantially.

Mr Courtemanche: Yes.

Ms Sandra Jonasson: If I could add: The tax rate increase is 3.3% for operating, but then, as Mayor Dave has indicated, there is an additional 2.3% for the capital levy. So we really are looking at a 5.6% increase this year for the tax payment.

Mr Prue: That capital, is that for homeowners or is that for business or—

Ms Jonasson: That's for everybody. Every resident, every business will have to pay this, and it's directed toward our roads.

To put the CRF into perspective, one thing to keep in mind would be that our CRF—we're the largest recipient in Ontario. We receive about \$55 million in CRF. Our levy is \$147 million. So you can see it's an awfully big revenue source to the city. Any change in philosophy with respect to the CRF could have a dramatic effect on us.

Mr Prue: More time?

The Chair: About a minute.

Mr Prue: You were talking about the taxes being \$147 million. That's from all of the residents and all of the businesses. Can you tell me what the ratio is? You've got the largest nickel mine in the world here. How much do the residents pay? How much does business pay?

Ms Jonasson: I think it's about a 70-30 split. Residential is around 70.

Mr Prue: So business taxes are at around 30. How does that compare to other municipalities?

Ms Jonasson: I don't believe we're that different from a lot of other municipalities. I can't recall offhand, but I know there are some municipalities [*inaudible*] say residential-agricultural component, but I think we're relatively equal to the rest.

The Chair: Thank you for your presentation before the committee.

Mr Norm Miller (Parry Sound-Muskoka): Excuse me, Mr Chair. Are you not allowing questions for us? Is there just one question per party?

The Chair: Yes. This was discussed yesterday. We only have five minutes. Some questions are two minutes in length; some answers are two or three. So we've been rotating through each party. There's only five minutes in total, as agreed by the subcommittee.

WOOD WORKS!

The Chair: I call on Wood WORKS! to come forward, please. Good morning. You have 10 minutes for your presentation. There will be five minutes allowed for questioning. I would ask you to identify yourself for the purposes of our recording Hansard, and you may begin.

Ms Marianne Bérubé: Thank you, distinguished visitors to northern Ontario and honourable MPPs, for this opportunity. My name is Marianne Bérubé. I'm the Ontario executive director for Wood WORKS!, which is a project of the Canadian Wood Council. The Wood WORKS! project is represented by the forest industry and wood products industry in Ontario.

First of all, before I start off and talk about what we've done and what we're going to do with the project, I just want to briefly ensure that everyone knows the significance of the industry in Ontario. Everyone is very familiar with the automotive industry, especially if you're from southern Ontario, but the forest industry is the second-biggest economic contributor to the economy in Ontario, contributing \$17.4 billion annually. It injects \$4.5 billion in salaries and wages and \$2.4 billion in taxes.

Given this significance, I think we are certainly facing challenges to our industry. Four years ago, the Wood WORKS! project was started out in North Bay, and it encompasses northern Ontario. The purpose is to promote building with wood in the non-residential sector. It's something that hasn't been tapped into. When you go to Europe and Scandinavian countries, they use wood and you can very much feel that it is part of their culture, but here in Ontario and across Canada, you don't see it in our culture.

The Wood WORKS! project was started because—I'm sure everyone's familiar with the softwood lumber dispute. There has been increasing pressure from competitors. The steel and concrete industry, over the years, has been very aggressive. However, there is a lot of opportunity, and I guess perhaps the biggest opportunity is moving, retwiggging, refurbishing our wood

products industry in Ontario and going more into value-added wood products. That's an opportunity not just for northern Ontario but southern Ontario. We're poised to become a world-class leader in wood products. With the change in technology and building codes and knowledge that we have, we need to promote and use more wood products.

That's pretty well the mandate of our project. I'm just going to talk now a bit about what we've accomplished in the last four years.

First of all, the Ontario Forest Industries Association recently passed a resolution supporting the growth of the Wood WORKS! project, and also Forintek in Ontario to support our industry at this time and, again, create more economic diversification for our communities.

How we've been getting the word out: We've had numerous—over 100—municipalities, associations, AMO; the Ministry of Natural Resources has passed a "build with wood" resolution, so that when any project is for tender, when they hire an architect, they'll at least consider wood.

Another huge opportunity is sustainability. If you look at the Kyoto Protocol, given a life cycle approach, wood is the best choice. It's the only renewable resource. You look at heat efficiency and everything.

So what we try to do is get the word out, and it's a twofold message. We need to educate existing practitioners, architects, engineers and help them provide the tools and education necessary to look at wood in projects. But we're also working with colleges and universities. That's an important mandate. We've published numerous case studies of existing projects and we provide educational seminars. In February, we are going to be doing one in Thunder Bay, one in Sudbury and further south in Toronto again later in the year.

Ultimately, we need to showcase and talk about the great things that are happening and projects of our recognized leaders in this industry that are helping. We have an annual wood awards gala, and we're going into our fifth year. I think a lot of people have heard of the wood awards gala and a few of you have attended, including some of the ministers. We will continue doing that. We've had numerous publications and articles, recognition in the Globe and Mail and the Star. So it's just a good project that continues to grow.

Most importantly, what I wanted to talk to you about today is our five-year growth plan. We think it's very important that this project grow into southern Ontario, so we will be looking for three-part funding—a third from the industry, a third from the federal government and a third from the province—to support this project and ensure it grows in the next five years, because it is really important. We need to continue to support communities and job creation in Ontario in our forest and wood products industry.

0940

I brought along some of the great projects that have recently happened and have been recognized, but it's in different sectors, like the MTO building bridges.

Numerous projects in Ontario have gained recognition and the word is spreading, but we do need to really tap into this.

The other point I forgot to make was that Ontario represents 48% of the market opportunity in Canada. Southern Ontario represents \$8.9 billion, based on building permits, annually in the non-residential sector. In 50% of this market, codes do not allow buildings above four storeys, so there's plenty of work for the steel and concrete industries. We're not trying to target them or map out—most of the steel used in skyscrapers comes from China and Asia and overseas. What they manufacture in Hamilton in southern Ontario is primarily used for cars, appliances and some small component of steel studs. So we aren't harming other sectors; we're just trying to use more wood in Ontario and support our industry.

I'm here before you just to familiarize you with our project. We will be looking for further support from the province. We have had some support over the last year—\$200,000 from the northern Ontario heritage fund in the Ministry of Northern Development—and we will be continuing our campaign.

Any questions?

The Chair: Thank you for your presentation this morning. The questions in this round will go to the government.

Mr Wilkinson: Good morning. I just want to put on to Hansard, Marianne, that this is one of the most beautiful presentations we've ever received. It's just stunningly wonderful.

My riding is a large agricultural riding, and on the whole issue of the ability to add value, if we don't add value, it goes someplace else and those jobs go someplace else, and then we wonder why we struggle.

I was just surprised about your comment about Kyoto. Explain that to me. If you're cutting down trees, why would that be the best thing for Kyoto? I thought we wanted to have the trees and the carbon sinks, and instead you're doing this. So if you could just elaborate for me.

Ms Bérubé: Actually, that's a good point. Again, part of the project is to educate people on the environmental benefits of using wood. Old growth forests consume a smaller percentage of carbon dioxide in the air, probably half the percentage of new growth forests. Ontario has some of the best managed forests in the world. A lot of our companies—Tembec, Domtar, Weyerhaeuser—are moving to FSC certification. They have partnerships with the World Wildlife Fund. Ontario is a true leader. There's actually 15% more forest than there was 20 years ago. So it just shows you what the forest companies are doing.

If you ever drive through northern Ontario, there is—we're not even using the allowable amount yet that the MNR dictates, so there's plenty of forest. It is good to use wood. You have to look at it as farming. But the forest companies are topnotch in sustainability. Again, that's something we really need to promote. New growth forest is actually better for the environment.

When you use steel and concrete—there is information in here. In a life cycle approach to building, wood

comes out way ahead of steel and concrete in leaving an imprint on our environment.

Mr Wilkinson: If there was one thing that we need to take back to the Minister of Finance, one thing that Mr Sorbara could do to help you, what would that be?

Ms Bérubé: Helping sustain the project. We need to do more education and awareness to get people to use more wood, bottom line. Eighty-five per cent of our wood goes south of the border. We're trying to create more value-added, remanufacturing, engineered wood products here in Ontario, but to do so, and before more companies will build more of these plants, we need to use more wood in Ontario.

Mr Wilkinson: The Ontario building code: That's with the Ministry of Municipal Affairs and Housing?

Ms Bérubé: Yes.

Mr Wilkinson: So I think we'd be more than happy to send a copy of your presentation over to Minister Gerretsen, who I'm sure would find it to be very interesting.

Ms Bérubé: OK.

The Chair: Further questions?

Mr Colle: If I could just comment, just looking at the presentation here is a reminder of this amazing product called wood.

How do we, as a government, get more people to realize that we have this great, marvellous building product called wood right here in our own backyard, and we could use it more? What's holding back public awareness of that?

Ms Bérubé: Again, we've had limited resources. We'll admit that the forest industry, because of environmental pressures over the past few years, have been quieter and not advocating and promoting themselves as much. But we are starting now with ministries. We started with the Ministry of Natural Resources to pass resolutions that when they publicly tender projects, they will just ask—it doesn't mean they have to use wood, but they'll at least bring that awareness and they'll ask, because often with a public project, they hire an architect and let them do what they want. No one asks for an option. So that's probably the biggest step.

Mr Colle: What about the cost comparison with the other products?

Ms Bérubé: Well, right now steel has skyrocketed, but we're proving on a lot of projects to have 10% to 15% savings. That's just on construction. Then when you look at the whole life cycle analysis, heating and everything, wood comes out way ahead of steel and concrete in cost savings over the life of a building.

Mr Colle: I know in southern Ontario there are a lot of these precast concrete forms being used in buildings. They just bring them in with the skyhooks and put them in place. What about a cost comparison to that material?

Ms Bérubé: The wood industry is also moving toward prefabricated systems, systems that are engineered and can be just dropped in. They are moving toward that too, so they are competitive.

The Chair: Thank you for your presentation before the committee this morning.

ONTARIO CHIROPRACTIC ASSOCIATION

The Chair: I would call on the Ontario Chiropractic Association to please come forward. Good morning. You have 10 minutes for your presentation, and there will be five minutes for questioning. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Dr Michel Brosseau: Good morning, everyone. My name is Dr Michel Brosseau. I'm a practising chiropractor here in Sudbury and have been here since 1986. I'm also the local society president. Over the years, I don't know how many thousands of people have graced my doors with a variety of ailments and complaints. By and large, they've done well. Sometimes it doesn't work as well as we would like it to, but that's how medicine works.

I am president of the Sudbury and District Chiropractic Society. We have 30 members and we serve roughly 15,000 Sudburians every year.

I'm here today to speak on behalf of the Ontario Chiropractic Association. Last December 1, as you may well remember, the Ontario government decided to delist chiropractic services, and I understand that it was a tough decision to make. I'm here today to speak to the fact that I think that decision should be revisited. I'm going to be presenting a few reports and statistics, and after that I'll be speaking about two patients whom I was caring for, to give you a bit of a human side on the story too.

First of all, in June 2004, a Pollara poll suggested that 79% of the public felt that the decision to delist chiropractic services will prompt people suffering from back pain and other complaints to go to their family physician as opposed to seeking chiropractic care.

Second, the consulting group Deloitte Inc, which is a group that is used by the Ministry of Health, says the following: first, delisting could increase the number of visits to a family physician by 1.3% to 2.6% and the number of visits to emergency departments by 7% to 14%; second, the cost impact is anywhere from \$12 million to \$125 million more to the health care system than what the savings are from having delisted chiropractic services.

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Recently a study was done in California, I believe, and was published in October in the Archives of Internal Medicine. It looked at an overall number of 1.7 million people, through an extended health coverage or essentially a private insurance company, where one million people received traditional medical care only and 700,000 people had medical care and chiropractic care together. What they found was that when they included the chiropractic care in the health care plan, they actually saved 1.6% on the overall costs. If you apply that to the Ontario health care budget of \$31 billion, this would actually be a saving of \$500 million annually. I believe

they were covering chiropractic care fully to the tune of about 40 visits a year, or a maximum of 40 visits a year, and this is the result that happened in that study.

Also, I believe this was published in June or July. This is through the Ontario Workplace Safety and Insurance Board, the evaluation they did of their program of care for acute low-back injuries. This program of care was actually put together because of a review of studies done over the last 20 years. The study was completed, I believe, in 2001, and from there the program of care was instituted. This is a new program for the WSIB. What they found was that after a one-year evaluation, there were some interesting findings having to do with the effectiveness of chiropractic care. One of them had to do with being able to get to the chiropractor quicker than anybody else. The average was three days. I believe they compared it to physiotherapy; the average there was 13 days. But the big saving had to do with lost time off work. With chiropractic care, the average lost time was nine days, and with physiotherapy it was 20 days. So again, just from a cost point of view, 11 days off work is quite a significant amount of money.

What I'll do here is, instead of prattling on with more fascinating statistics—and I apologize that my presentation isn't as beautiful as the previous presenter's. As you can see, I accessed our wonderful health care system last Thursday, after having cut my tendon on some broken glass. That was a lot of fun. Actually, it's very interesting, as a physician, to be on the other side and be the patient. I received excellent care. I applaud the local hospital, the staff and everybody who is involved. It's actually fascinating to see how the system works well, when it works—hint.

Last December I had a young lady, a single mom, thirtyish, who had been suffering from headaches for about three or four months on a daily basis—all day long, unremitting. She had seen her physician. I know this physician and he's excellent—very good at what he does, very proficient, great and whatever else—but essentially what he had done was prescribe pain medication, which really wasn't addressing this lady's complaints. She was in for an initial visit and she had another two visits, essentially. I had recommended a series of treatments based on X-ray findings and physical findings, but because of financial restrictions she wasn't able to follow through, and I know for a fact that it was the finances. She's better than she was, but the headaches are starting to come back and I know she's going to be in a bind here with her symptoms.

The point is that here's a typical situation that I see where these people access the medical system that we have, and it's very good and whatever, but the thing is that for this specific condition, the chiropractic approach is more effective, more cost-effective, gives greater relief quicker, faster, sooner, better. Unfortunately, this lady was bouncing around in the system for three or four months before she came into the office and she's going to be bouncing around in the system until somehow or other she can get some finances together.

Another lady I had been treating on an off-and-on basis over some time in late October or early November injured herself: a low-back problem with a leg problem. Again I recommended a series of treatments, but this lady I guess could be best described as one of the working poor, and unfortunately she's in a position where she simply cannot afford the treatments. Her physician, another very good physician who really knows what he's doing—she has accessed his office a number of times. She has also had some neurological evaluations etc. I know that without the chiropractic care, there's a whole expensive route here of various tests, various procedures, that are very costly in order to turn around her condition. In the meantime, she may have to take some time off work. The future is a little cloudy.

Essentially, what I presented here in the document that you received are some of the large-scale studies. I know that the statistics there are riveting and fascinating and will keep you awake at night reading them over and over again because they're of such an interesting nature, but I also wanted to put a bit of a human face on what these statistics actually mean.

As a front-line practitioner, I may not see quite as many as 700,000 people in a year, but I do see the individuals these numbers were derived from.

Essentially, that's my presentation.

The Chair: The questioning will go to the official opposition.

Mr Miller: Thank you very much for coming before the committee today to make your presentation. I have a couple of questions.

First of all, as a representative of the chiropractic association: Last year, the government—of course, I'm in opposition—spent a considerable amount of money, \$3 million I believe it was, on much greater pre-budget consultations. Of course, that resulted in the budget of May 18, where chiropractic services were delisted. Were you part of that consultation last year?

Dr Brosseau: Yes. I believe the committee came here in February or March, and again I represented the chiropractic profession. I actually had a gentleman with me. It's in the Hansard notes. There was myself, the vice-president and a patient. This gentleman was six foot two or six foot six, a really tall guy—well, compared to me, anybody is. Anyway, this gentleman had been hit by chronic fatigue—really, one of these people who fall through the cracks in the system. He'd had a successful business in a small town outside of Sudbury and had nine employees. Because of his illness, he basically had to pull up stakes, sell everything and close everything down. After a year of treatments where there was a combination of chiropractic supplementation, lifestyle counselling, dietary control and whatever else, he was actually back at work. So I made that presentation to the government last winter, explaining to them that here's a case where we can save astronomical sums of money, not only in the direct costs of treating people but also in things like disability pensions and whatever else, when you use a chiropractic or a natural approach.

Mr Miller: So last year you did participate in the process, but they basically didn't listen to your advice that maintaining chiropractic services would save the system money in the bigger picture?

Dr Brosseau: No.

Mr Miller: Was there any other specific consultation with the chiropractors prior to the delisting of this service?

Dr Brosseau: As far as I understand, there were no consultations with the government whatsoever previous to the budgetary announcement.

Mr Miller: So it was just your initiative to come before the committee—

Dr Brosseau: No. As society president, I got word from our association that there was going to be a presentation here in town, so I applied, and I got to make a presentation.

Mr Miller: How did you get word of this year's consultation?

Dr Brosseau: Again, through my association.

Mr Miller: Did you have much advance warning for it?

Dr Brosseau: About six hours before I did this.

Mr Miller: That was last week, then?

Dr Brosseau: Yes.

Mr Miller: Because the deadline was January 7.

Dr Brosseau: I'm sorry, I misspoke there. I think I found out about this a week ago Tuesday.

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Mr Miller: So a matter of days before the deadline, in other words?

Dr Brosseau: Yes, that's right.

Mr Miller: In terms of the north, with the greater distances involved, especially as related to timelines for treatment, do you think that affects the delisting of chiropractic services in terms of medical treatment?

Dr Brosseau: As a northern practitioner, I really feel it's more imperative to include chiropractic into the mix, especially because up in the north there is such a physician shortage. Personally, and I know that other chiropractors are in the same boat, even though we don't have access to blood work and some of the other testing that would be appropriate, in about 10% of our practices we're the primary caregiver. We do what we can and by and large we do well, but it sure would be nice to be able to do a little more or have a little bit more help on that front. So again, especially in the north, because of the lack of physicians up here, this delisting will bear out—it's only been five weeks—that it's going to hurt up here even more.

Mr Miller: Thank you very much. I know Toby wants to ask a question as well.

The Chair: You have about a minute.

Mr Barrett: Very briefly, as you've indicated, the decision should be revisited. We know there are 600,000 people who have signed their names to a petition who agree with that. We heard considerable evidence in Sudbury on the cost-effectiveness of chiropractic. Back pain accounts for something like \$100 billion across

North America with respect to care, whether it's chiropractic or medical care. All parties have been involved in this petition: 600,000 names.

What steps would your association be taking beyond a petition or letter writing in the future to try, as you've indicated, to have this decision revisited?

Dr Brosseau: All we can do is keep communicating with the government, keep showing ongoing studies. This is the latest. I've been practising since 1986 here in town and there are ongoing studies since and even before I started practising showing that chiropractic is not only effective but cost-effective. So all we can do as an association is keep lobbying the government, keep communicating, trying to get our message across that as part of the health care team we don't cost more; we can actually save money.

The Chair: Thank you for your presentation this morning.

ONTARIO COALITION FOR BETTER CHILD CARE

The Chair: I would call on the daycare supervisors' network to please come forward. Good morning. You have 10 minutes for your presentation; there will be five minutes for questioning. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms Tracy Saarikoski: Good morning. My name is Tracy Saarikoski and I'm here today on behalf of the Ontario Coalition for Better Child Care and the Child Care Action Networks. I was introduced to speak on behalf of the supervisors' network for the city of Greater Sudbury. It's a group of centre directors, supervisors and executive directors that meets monthly to provide services for our children and network.

Just over the weekend there was a little bit of a dilemma and I decided not to speak on behalf of the larger group but to speak on behalf of the Ontario Coalition for Better Child Care.

The OCBCC was founded in 1981 to advocate for universally accessible, high-quality, non-profit regulated child care. I wear many hats in our community, and again, today I'm speaking just on behalf of the Ontario Coalition for Better Child Care.

It's time for action. The need for a child care strategy for Ontario has never been greater. There is no coherent child care system in Ontario. Decades of ad hoc, piecemeal government policies, a market-driven approach based on parents' ability to pay, declining provincial child care budgets and downloading on to cash-strapped municipalities have caused a serious child care crisis for families with young children. Parents are having a tough time affording quality, licensed child care, if they can find it. Down south, it's a different dilemma; it's the waiting lists. We don't have those large waiting lists in the north. Our dilemma is that middle-class families can't afford child care and they're not meeting the subsidy qualifications.

Existing child care centres report difficulties attracting and retaining qualified staff, since wages in the sector are low and benefits are only affordable by a small number of centres in our community. Even if we do get qualified staff in to work with our children, the retention issue is greatest. The staff turnover rate is great, and that is not a dimension of quality care.

If you look at expanding an early learning and care system, there need to be increases in child care wages to our early childhood professionals to improve child care staff recruitment and retention. Higher staff wages are also a dimension of quality care, as stated in Gillian Doherty's Quality Matters in Child Care, and in her most recent study, *You Bet I Care!*

Direct funding is also a necessity when it comes to administration. If we are to look at an expanded service for our families, we need to support an administration level in order to implement the programs we offer. Over the years, we've been forced to cut back to meet our obligating commitments, and also to keep down our costs and our per diems for our families. The easiest place to cut was administration. Right now I'm sitting in a centre licensed for 111 children a day, and it's me in the office. Today I was at the office at 5:30. Last night, I left at 6 pm.

Offering programs off-site is a challenge for centre directors, since it's difficult to support staff and families at all locations and still operate efficiently without support in the office. New funding needs to be directly linked to rebuilding a level of administration that truly supports our centres and our families.

Instead of being a leader in developing a system of early learning and care that gives children a good start in life, Ontario has fallen behind. We lag behind most other industrialized nations and behind Quebec, which has taken great steps toward a universal child care program since it introduced a systematic and comprehensive child care plan back in 1997, and we all know what that is.

As child care moves back on to the provincial and national agendas, Ontario needs a funding and policy strategy aimed at putting in place an integrated, responsive child care system that meets the educational and developmental needs of children and the parenting and work/training needs of families.

In the city of Sudbury, we, as a community, have moved forward and responded to the needs of our family by providing flexible care, wraparound care, weekend care and up-to-midnight care. We've done our part. Now we need the funding to back us. We're counting on you here in the city of Sudbury.

A 10-year strategy: This presentation and our submission to the standing committee on finance's pre-budget process is based on our last position paper, "To boldly go ... toward a comprehensive child care system in Ontario," and I have included that today. It outlined a 10-year strategy for developing a child care system in Ontario that will provide long-lasting benefits for children, families, the economy and our society.

The recommendations that deal directly with budget items are summarized at the end of today's submission.

However, as achieving a high-quality system of child care that works is as much about good policy as it is about funding, our recommendations for a comprehensive system of child care in Ontario are presented as well. I encourage committee members to review them in their entirety.

The early learning and care system we recommend is community-based and non-profit, providing services that meet the diverse and distinct needs of different communities and families. Services will be universally accessible, regardless of children's abilities, cultural or linguistic backgrounds, or regional circumstances, and regardless of family income or parents' employment status. These services will be non-compulsory but available to all children and to the extent that their parents wish to use them. Service development will be flexible according to what makes sense for each community, rather than a one-size-fits-all approach. Services will be delivered using a hub model of integrated services.

A commitment to a policy plan: Our strategy calls on the government to make a commitment to develop a policy framework and action plan to fully put in place an early learning and care system by the end of 10 years. As stated in our submission in 2004, we expect the government to have a plan in place for developing such a system by April 1, 2005.

The policy framework should include the following components: principles; new legislation; a direct program funding model; definitions of roles and responsibilities for management and funding of their early learning and care; improved quality standards and strategies for meeting them; plans for accountability; and timetables for establishing them.

Our principles: The rationale for each component is clearly laid out in the submission. Today I'd like to draw attention to the essential principles that future funding and policy decisions must be based on in order to produce a high-quality and accessible system. It needs to be publicly funded, non-profit, universal, inclusive and, of course, high-quality.

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Summary of recommendations for the 2005 Ontario budget: As previously stated, using regulated child care is not an option for the vast majority of children and families in Ontario. There are simply not enough regulated spaces to meet demand, and programs are often unaffordable for families. Availability of regulated care is considerably less for infants and school-age children, those in rural communities and children with special needs. Kindergarten is universally accessible but not until children are four or five, and then for only part of the day for some of our school boards.

The time has come to implement changes that will transform the fragile patchwork of early learning and child care in Ontario into a coherent and comprehensive system. By beginning with this 2005 budget, Ontario can also demonstrate the vision and bold action necessary to lead all partners on the national stage toward a high-quality, pan-Canadian child care system that will benefit

us all. By doing that, we're going to begin a Quebec-style phase-in of direct funding in the May 2005 budget, use available federal dollars and move to 100% provincial funding of child care.

I thank you for the opportunity to present today, and I welcome any questions.

The Chair: The questioning will go to the NDP.

Mr Prue: I have a number of questions, and they're all going to be financial. I hope you can answer.

Ms Saarikoski: What I can't, we can definitely get to you.

Mr Prue: What is the average wage of a child care worker in Ontario?

Ms Saarikoski: The city of Sudbury's average wage is \$12 an hour. They range from minimum wage to \$21 an hour for a front-line educator. That's pretty much standard across Ontario, I hear.

Mr Prue: That's what I was going to say—the second part. Those seem to be fairly low wages, as you have indicated. On the way in, we were lucky enough to have a cab driver who is also a jail guard. He makes \$27 an hour, so I guess we pay people more to look after criminals than to look after children. Is that a pretty fair—

Ms Saarikoski: That's true.

Mr Prue: You are seeking a wage across Ontario, and I take it you expect the government to negotiate and to pay.

Ms Saarikoski: We're looking at a subsidy for our wage enhancement grants. We do get wage enhancement grants right now, but every daycare centre is based on a different formula, depending on what government was in. Any new centres as of 1992 have no wage enhancement grant at all, so their wages fluctuate dramatically. In this last set of funds that came, there were some wage enhancement grants, and our city had decided through the municipality that they would at least bring all the centres up to one standard percentage. So we're moving toward at least 80%, but that definitely didn't happen.

This last 80-20 dollar—the 20-cent dollar—has been approved at our local municipality, and they have bought into it. As the mayor said, our budget for 2005 has been approved, but we haven't seen those dollars yet. Apparently, for February we might be seeing an enhancement to our wage enhancement grant, which would help bring our wages up a little bit.

Mr Prue: On page 8 of one of your submissions, you want the government to reinstate the \$160 million cut from the annual provincial budget for regulated child care between 1995 and 2001 by the previous Tory government. That's what was cut. We've had inflation; we've had a lot of things since then. Is \$160 million alone sufficient?

Ms Saarikoski: No. That would at least bring us to what we lost. Let's at least get back what was taken from us, and let's start fresh and start looking at direct funding to centres. Let's start looking at wage enhancement grants to staff and having a universal, pan-Canadian child care system. It's up to us at the provincial level to really

leap on to this federal government's bandwagon for a national program.

Mr Prue: We haven't done that, and as you correctly pointed out, Quebec has taken full advantage; Ontario has not. Or Ontario has taken the money and used it for something else—that's more appropriate.

Ms Saarikoski: That's right.

Mr Prue: I don't have a dilemma with what you're saying, but I think the dilemma that the finance minister is going to have is that he is on record as saying there is only going to be \$500 million in new spending this year and no tax increase.

Mr O'Toole: Oh, no, he can't do that.

Mr Prue: I know he can't do it, but that's what he said.

Do you think your program has a priority over other programs? We have people here on health issues, education issues and higher learning issues. We have people from the environment. The next group is going to be from the film industry. I know you're probably passionate in yours. How do you see fitting into all of these groups, looking for what are going to be very limited dollars, unfortunately?

Ms Saarikoski: The first thing I want to say is that children are our future, so unless we start investing, we're not going to have you people in the future. We won't have the politicians, the people who want to stand and fight for us later on, because those children are not going to have that opportunity and the skills. That's the first thing.

The second thing is, we have a health care plan; we have an education plan. It's time for an early childhood education plan, and those investment dollars need to start now.

Mr Prue: Thank you. You said it very well.

The Chair: Thank you for your presentation this morning.

MUSIC AND FILM IN MOTION

The Chair: I call on Music and Film in Motion to come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There will be five minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr Mark Palumbo: Good morning. Thank you very much. Welcome to northern Ontario. My name is Mark Palumbo. I am chair of the board of Music and Film in Motion, and with me is our executive director, Mr Dennis Landry.

On behalf of Music and Film in Motion, I wish to thank the Chair and members of the standing committee for allowing us to appear before you today.

We'd like to briefly talk to you about what our organization is and what we do here in northern Ontario, and to comment on priorities that we see could be implemented by the Ontario Legislature to help foster a climate of economic development, sustainable growth,

innovation and retention of our youth here in northern Ontario.

Music and Film in Motion, which I will refer to as MFM, is a non-profit organization. Our mandate is to foster the growth and development of the music, film and television industries in northern Ontario. Since 1999 we have worked to develop our own local talent in both film and music through a series of workshops, training and mentoring sessions. We have developed a resource guide which identifies the people and companies involved in the delivery of product and services to the music, film and television industries here in northern Ontario. We have marketed northern Ontario to potential filmmakers using this guide, using our excellent Web site, and through the Ontario Media Development Corp's location library. We have also partnered with Cinefest, which is our international film festival here in Sudbury, to sponsor the Industry Forum which brings together producers, directors and distributors from across Canada and provides us with an excellent networking opportunity. Finally, we also sponsor the annual Northern Ontario Music and Film Awards show in which we showcase and recognize our own northern Ontario talent.

All of these activities have resulted in a number of success stories for northern Ontario, including the shooting of the feature film *Men with Brooms* with Paul Gross, the made-for-television movie of the week, *Shania*, which will be shown on CBC this March, the documentary *First Canadians* and many other international and national short film projects. As well, northern Ontario was successful in attracting the animation series *Chilly Beach* to Sudbury. This production company alone employs between 30 and 40 animators in high-paying, high-tech jobs here in Sudbury.

So we've had considerable success in a short period of time and we are confident about the future development of these industries in northern Ontario. We look forward to adding to the over 20,000 people employed in Ontario productions and the \$874-million industry that this represents.

We would now like to comment on four initiatives recently announced by the Ontario government which will directly have an impact on our industry and the growth of this industry here in northern Ontario.

First, the recently announced increase to the Ontario film and television tax credit for Ontario productions from 20% to 30%, with an additional 10% for regional productions outside of the GTA: Obviously, we are thrilled with this proposed legislation. For us in northern Ontario, this means a 40% tax credit for producers on their labour costs. This puts us on a level playing field with provinces such as Manitoba, New Brunswick, Saskatchewan and Nova Scotia, which have made great strides in recent years because of a higher tax credit advantage. We can now compete with these other provinces and keep some of our Ontario producers here at home.

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A recent example of this is the *Shania* production, which was scheduled to be done in New Brunswick.

Through co-operative efforts of the city of Sudbury, FedNor and northern development and mines through the Northern Ontario Heritage Fund Corp, a package was developed that allowed this production to be done here, resulting in over 500 employment opportunities including extras, cast, crew, training and mentorship positions, and over \$2 million spent directly in Sudbury and Timmins over the 17 days of shooting.

With the increased tax credit system and the regional bonus of 10%, our ability to market our area to producers is certainly enhanced. Together with our unique locations, our ease of access to these locations, the co-operative spirit in the north and our expert workforce, we have a very marketable package to present to potential filmmakers.

In addition to the increased tax credits, we have proposed to the Ministry of Northern Development and Mines a loan equity package for film and television producers. This loan equity program would again put us in a very strong position to attract filmmakers. While the model we have proposed is not yet in place, we must commend the ministry for their willingness to look at individual projects and to use existing models to bring these projects to fruition.

Shania and Chilly Beach, seasons 1 and 2, have been aided by the efforts of the Northern Ontario Heritage Fund Corp. Only projects that increase the profile of northern Ontario, create jobs in northern Ontario and provide mentorship and training opportunities to residents of northern Ontario would be eligible for consideration under our proposal.

We look forward to continuing to work with the Ontario Media Development Corp, the Ministry of Culture, the Ministry of Finance and the Ministry of Northern Development and Mines to further initiatives in this particular area.

We would also like to comment on the northern prosperity plan recently announced by Premier McGuinty and Minister Bartolucci and how it relates specifically to the economic development potential of our industries here in northern Ontario. As just mentioned, we look forward to working with the Northern Ontario Heritage Fund Corp and their renewed focus in working with private sector companies, especially those focused on new enterprises, young entrepreneurs and emerging technologies. The music, film and television industry is all of those things. We at MFM are at the forefront in providing the necessary training and workshop opportunities for our youth to learn the business skills necessary in this industry.

Unlike the greater Toronto area, northern Ontario does not have numerous established enterprises in film and television. Ours is an emerging industry with great potential in our talented youth. However, these young people will need financial support to get established and we see this renewed focus of the northern Ontario heritage fund as the perfect complement to our efforts.

The northern Ontario grow bonds program, we feel, is an excellent idea that would generate \$20 million of

investment loans for small and medium-sized business. As well as our own young entrepreneurs, it is our hope that we can encourage established Ontario producers to set up satellite production companies here in northern Ontario. Some have expressed interest in this and we feel that the creation of business investment loans, equity loans for production and increased tax credits will certainly create a great deal of interest from these professionals.

The Chair: I remind you, you have about a minute left.

Mr Palumbo: OK. I'm almost finished.

We also fully support the Go North program designed to attract investors from outside northern Ontario. We would like to become actively involved in this program because we think our northern Ontario culture can and should be used to attract others to our area. It is a well-known fact that quality of life is one of the major factors in relocation of businesses. We have a very distinct and unique culture that adds to our quality of life and must be showcased. Ours is a unique blend of aboriginal, francophone and multicultural influences that have shaped and defined our northern Ontario writers and artists.

The Go North program must be an aggressive, exciting and unique marketing effort that utilizes all the best efforts we have to offer. Our young and talented creative class must be utilized in the efforts to attract business to our area. Being knowledgeable and fully engrossed in the careers of these young people, MFM is in a unique position to help develop a cultural component to the Go North program. We would be happy to discuss this role further at the appropriate time.

In summary, I'm very excited about the potential for growth in our industries here in northern Ontario. We are encouraged by the recent support and initiatives introduced by the various ministries. We encourage this committee and the Legislature to speedily pass the recommended increase in the tax credit into law, to maintain the 10% regional tax bonus and to pass and support the elements of the northern prosperity plan. We feel these efforts will have a positive effect in fostering the growth of the film, television and music industries in northern Ontario.

We thank you and look forward to your questions.

The Chair: The questioning will go to the government.

Mr Colle: It would have been just a shame to see the Shania life story being done in New Brunswick. God help us. But we got it back.

Mr Prue: Really authentic.

Mr Colle: Yes. Maybe another idea for a film would be something called Sudbury Saturday Night or something. It would be excellent.

In terms of the film industry and the talent pool that you have here, is there a connection with Laurentian University? Are courses offered in film studies, or do they have to leave the area to get the academic or technical background?

Mr Dennis Landry: There are a number of pieces in place that exist throughout northern Ontario. Laurentian

has recently introduced a film studies program as part of its English department, and we're hoping to see that grow. There is discussion of creating a northern Ontario documentary centre, which would be specifically aimed at putting out documentary makers. There is a practical television broadcasting program in North Bay at Canadore College. We have a production design program that exists at Cambrian College. There are also film programs that exist in Thunder Bay. So the opportunities do exist throughout northern Ontario. Certainly, through our professional development activities, we work very closely with all of those partners. We now have members of our staff on Cambrian's advisory committee. As opportunities come up to tweak and adjust those programs to meet the growing needs, we have people placed to help influence those changes.

Mr Colle: We hear about the competition we're getting from Saskatchewan, Manitoba and certainly BC. As far as the north goes, are we going to be competitive in terms of maybe attracting—if they can attract film production in Saskatchewan, obviously Sudbury has some of the same attributes you said that could possibly be competitive. What do you see as the potential there?

Mr Landry: We certainly see a lot of potential. Obviously, Shania is very important in a lot of ways. It's the biggest production that has shot here, over the longest period of time, and people have gone back very satisfied with that experience. The producers are already discussing other potential projects with us that they would like to see happen here. As that production was gearing up, other producers from Toronto were interested in what was happening up here as well.

I think that for a lot of the producers, over the last number of years they've had to leave Ontario to get the best possible scenario to finance their productions. The legislation that's currently at hand for the increase of the tax credit is definitely going to have a huge impact. We were already 10% ahead of Toronto because of the regional bonus; at 30%—

Mr Colle: The 10% bonus?

Mr Landry: It's a 10% regional bonus outside of the GTA. So we were already at 30%, but we weren't quite at par with most other provinces at that level. At 40%, we are at par with the other smaller provinces like Saskatchewan and New Brunswick. That certainly would have had an impact of roughly \$100,000 on the Shania production if that tax credit had been in place when they shot here, which is significant to a producer. Again, we've already had the interest of about four or five producers for a number of projects. If that's passed, it is only going to help lock some of those in for us.

Our goal is to get five to six Shania-sized-budget projects happening here throughout the year. We're certainly not looking to unseat Toronto as the capital of Hollywood North. That's obviously not realistic. But having five to six productions in the \$5-million to \$6-million budget range represents an economic investment in the community of \$10 million to \$15 million every year, which is fairly significant for our community.

1030

Mr Colle: Especially for your young people.

The Chair: Thank you.

Mr Wilkinson: Given the nature of your presentation today and the significance of this Shania film, I think we should have all-party support to ask Shania to come and appear before this committee. I'm sure we'd have all-party support for that invitation to be extended.

The Chair: Thank you for the comment. Thank you, gentlemen. I would mention that I'm from the village that Michelle Wright, the country and western singer, is from, in the south.

Thank you for your presentation this morning.

CENTRE DE SANTÉ COMMUNAUTAIRE DE SUDBURY

The Chair: I would call on the Sudbury community health centre to please come forward. Good morning. You have 10 minutes for your presentation, and there would be five minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard, and you may begin.

M^{me} Joyce Choquet: Bonjour, messieurs et mesdames du comité du budget. Je m'appelle Joyce Choquet. Je suis la présidente du Centre de santé communautaire de Sudbury.

M^{me} France Gélinas: Bonjour. Je m'appelle France Gélinas. Je suis la directrice générale, Centre de santé communautaire de Sudbury.

M^{me} Choquet: Je crois que le programme dit « Sudbury community health centre ». C'est la traduction de notre nom. Nous sommes un centre de santé communautaire francophone. Il y a 55 centres de santé en Ontario, dont cinq sont francophones, incluant le nôtre.

Comme tous les autres centres de santé, notre raison d'être est d'améliorer la santé de notre population cible, soit les francophones. Les centres de santé sont des instruments du ministère de la Santé. C'est-à-dire que nous ne sommes pas là pour remplacer le système existant, mais bien pour améliorer le niveau de santé de notre population cible, ainsi que l'accès de la population francophone au système de santé.

Tous les centres de santé offrent des soins primaires, c'est-à-dire des services de médecins, d'infirmières praticiennes, d'infirmières, de nutritionnistes, de travailleurs sociaux, etc. Les gens ont leur médecin de famille avec nous. Par contre, les médecins ne travaillent pas seuls. Ils font partie d'une équipe multidisciplinaire. C'est certain que d'avoir accès à un médecin et à toute l'équipe multidisciplinaire est très important lorsque les gens sont malades.

Par contre, le centre de santé offre plus que des soins primaires. Tous les centres de santé offrent des programmes de promotion de la santé et de développement communautaire, et travaillent à améliorer la santé de la population et de la communauté. Ce travail est basé sur les déterminants de la santé.

En promotion de la santé, on retrouve les programmes tels que cesser de fumer or choisir de maigrir.

En développement communautaire, les intervenants du centre de santé communautaire travaillent avec différents groupes pour aider à améliorer la santé des différentes communautés. Par exemple, un agent de développement communautaire peut travailler avec une association de terrain de jeu pour l'aider à développer un parc de skateboard afin de régler les tensions entre les propriétaires de terrains de stationnement pavés, la police et les jeunes qui veulent faire du skateboard.

Nous existons depuis 13 ans. Nous avons notre site principal au centre-ville de Sudbury, et nous opérons plusieurs programmes sur plusieurs sites, entre autres deux satellites dans des régions sous-desservies de la ville du Grand Sudbury. Pour ceux qui connaissent la région, un satellite est à Hanmer et l'autre à Chelmsford. Ces deux satellites reçoivent du financement opérationnel depuis 1997 de la part de la branche de la santé communautaire du ministère de la Santé.

Par contre, nous attendons toujours notre financement capital pour ces satellites. Nous sommes donc dans une situation où nous avons des ressources, médecins, infirmières praticiennes et secrétaires médicales, mais pas de locaux. Nous sommes depuis 1997 dans des petits locaux. Par exemple, à Hanmer nous avons 950 pieds carrés, en comparaison à 10 000 pieds carrés à Sudbury. Ces locaux sont inadéquats et ne nous permettent pas de fonctionner de façon efficace. Nous demandons donc au Comité des finances de considérer les besoins en fonds capitaux des agences de santé autres que les hôpitaux.

Sudbury a reçu beaucoup de fonds capitaux dans les dernières années mais tout est allé à l'hôpital régional, un peu au détriment des autres agences qui se font répondre que les fonds capitaux vont vers la restructuration des hôpitaux. On reconnaît que la restructuration hospitalière est dispendieuse, mais un bon système de soins primaires diminue l'utilisation des hôpitaux.

Ceci est notre première demande à votre comité, les besoins de financement capital des centres de santé communautaire. Un budget d'environ 5 \$ millions par année pour quelques années devrait régler le retard encouru.

Notre deuxième demande est le financement de plus de centres de santé communautaire. Nous sommes d'accord avec le plan du gouvernement de mettre sur pied 150 « family health teams », équipes familiales de soins. Par contre, les régions insuffisamment desservies qui ont des problèmes de recrutement ne se qualifieront pas pour une équipe familiale de soins puisqu'elles n'ont pas de médecins. Nous vous encourageons donc à investir dans de nouveaux centres de santé, surtout dans les régions du nord et rurales et là où les communautés ont des problèmes de recrutement d'intervenants en soins primaires tels que médecins et infirmières praticiennes.

Dans les régions insuffisamment desservies, lorsque le médecin part, le bureau ferme, la secrétaire est laissée aller et les patients se retrouvent avec rien du tout. En contraste, avec un centre de santé communautaire, les clients sont des clients du centre et non du médecin.

Lorsqu'un médecin part, les dossiers et le reste de l'équipe restent en place. Ceci facilite grandement la transition pour les patients en cause. De plus, un centre de santé a un directeur général qui est responsable du recrutement. Ceci aussi facilite la transition. Les centres de santé communautaire sont un bon moyen de donner accès à des soins primaires à plus d'un million d'Ontariens qui n'ont pas de médecin de famille.

Notre deuxième demande est donc d'augmenter le financement des centres de santé communautaire afin de financer les projets des 140 communautés qui veulent un centre de santé ainsi que de financer les projets de nouveaux satellites pour les centres existants afin de desservir de nouvelles communautés. À un coût d'un million de dollars en fonds opérationnels par année, un investissement de 10 \$ millions annuellement permettrait d'éliminer les Ontariens sans médecin dans une période d'environ 10 ans, une bonne utilisation de la nouvelle prime santé sur le revenu.

Notre dernière demande est la révision des modèles de paiement et salaire des médecins et des infirmières praticiennes. En ce moment, différents programmes du ministère de la Santé offrent différents salaires pour des emplois très similaires. Par exemple, les centres de santé viennent tout juste de recevoir des augmentations afin de payer leurs infirmières praticiennes 80 000 \$ par année. Ceci semblait être une bonne nouvelle jusqu'à ce que je voie une annonce de poste d'infirmière à l'hôpital qui offre plus de 90 000 \$ par année. Cette situation crée de la compétition entre les partenaires pour des ressources limitées.

La même situation existe pour les médecins qui reçoivent un salaire différent dépendant du modèle de paiement qu'ils choisissent pour offrir les mêmes types de service. Nous pouvons vous donner des exemples précis si vous voulez.

Donc, notre dernière demande est pour la révision des salaires et traitement financier des médecins et infirmières praticiennes pour leur payer un salaire juste, raisonnable et équitable à travers tout le système.

Je suis disponible pour des questions, ainsi que M^{me} France Gélinas, notre directrice. We can take questions in English.

The Chair: Thank you very much. The questioning will go to the official opposition.

1040

Mr Miller: Thank you. Bonjour. I'm afraid that's the extent of my French. I don't know whether you have a translation device, but I had a question to do with your budget. I just want to understand it correctly. You said that you have capital budget needs. What is your operating budget like? Are you in a balanced position for your operating budget?

Ms Gélinas: Yes we are, but in order to balance our budget, we have to stay in a teeny-weeny little office so that we don't pay much rent. The idea—

Mr Miller: That was going to be my next question, because I noted the 950 square feet versus 10,000, and I didn't quite follow that.

Ms Gélinas: Basically, with the savings we make here, there and everywhere in our operating lines, we always have a balanced budget. We've never run a deficit. We've always stayed balanced. But that means making choices. One of the choices we made was to open in this teeny-weeny little office. It doesn't allow us to function as a community health centre. We end up paying rent for the examination rooms and what you would consider a doctor's office, but all of the other activities of the centre are spread out through the community. Our early childhood is in a little office across the street. We have an adult day centre with adult daycare that runs out of the old-age community centre. So we're spread out and we use basically what we can beg, steal and borrow from the community to offer our services. The problem is the distance in between and that the staff are never together.

The strength of a community health centre is that, through the primary care team, you get to know what are the needs of the people you serve. So if you see an elderly person who comes to see her family physician every week, it won't take long for the physician to say, "Come with me. I'll introduce you to our adult day centre." The adult day centre staff take it from there and, after a couple of weeks, the person only comes once a month and then only because she has run out of meds. Other parts of the team are able to better look after the care of that person rather than relying on the physician only.

Because the different members of the team are not together, it's really hard to do this. To put your boots on to cross halfway across town to show them where the adult day centre is—they're not going to go. It's just not conducive to what a community health centre tries to do.

Mr Miller: You were saying that in the north, the community health centre and family health network serve an important role because of the lack of doctors and because of the distances, I assume, involved with northern Ontario.

Ms Gélinas: Exactly.

Mr Miller: One of the plans the government has is the local health integration networks. Have you thought at all about how that will affect your community health centre?

Ms Gélinas: Right now it's hard to say if community health centres will be part of the local health integration network or not. In general, the spirit of what they're trying to do with the network is something that is already happening in the north, just because we have so many recruitment problems and so many distance problems that we've had to help one another. We are partners with the other agencies. How it will pan out, I'm not in a position to say.

Mr Miller: So if you're already doing that, is there a danger that the local health integration network just becomes another layer of bureaucracy?

Ms Gélinas: I've heard that, but I don't know enough.

The Chair: The time has expired, and I thank you for your presentation before the committee this morning.

CAMBRIAN COLLEGE STUDENTS' ADMINISTRATIVE COUNCIL

The Chair: I call on the Cambrian College Students' Administrative Council to please come forward. Good morning. You have 10 minutes for your presentation. There will be five minutes for questioning, and I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Mr Tyler Charlebois: My name is Tyler Charlebois, and today I stand before you not only as the president of the Students' Administrative Council of Cambrian College and a graduate of an Ontario post-secondary institution, but also as a taxpayer and a concerned citizen. I am pleased to have this opportunity to speak with you today about some of the issues facing Ontario's post-secondary system and, specifically, challenges facing northern institutions.

My presentation is divided into three main themes: student access, success and progress.

A student's learning journey is enhanced or diminished by their ability to easily and successfully access adequate economic support. Ontario's financial aid system does not accomplish this, as it has not evolved with the changing realities of the post-secondary environment. The system is unable to address student needs and is unfair in how it assesses, awards and resolves applicant disputes.

In an attempt to ensure access to post-secondary education, the federal government established the Canada Millennium Scholarship Foundation. The vision, as stated in the 1998 federal throne speech, was to "reduce the gap between the rich and poor ... no more meaningful way to reduce the numbers of those left behind, and no better way to provide a higher quality of life for Canadians than to facilitate the path to higher education. Quite simply, every Canadian who wants to learn should have the opportunity to do so."

As the need for post-secondary credentials increases in the workforce, equitable access to post-secondary education must also increase. The founding goals of the Canada Millennium Scholarship Foundation need to be considered by all levels of government, scholarship foundations and academic institutions when developing financial aid policies. To eliminate the financial barriers that prevent students from pursuing a post-secondary education, policymakers must devise creative financial plans in order to level the academic playing field.

Some would argue that compared to other jurisdictions in the world, Ontario students are fortunate that they pay so little for their post-secondary education. Conversely, others argue that students shouldn't pay anything at all, as the benefits to society of an educated population far outweigh the costs. In 2003, post-secondary graduates paid over 57% of the entire income tax burden in Canada, but only used 28% of government social transfers.

Ontario's former Minister of Training, Colleges and Universities, the Honourable Dianne Cunningham, frequently stated, "We are committed to ensuring that there

is a place for every qualified student who wants to go to college or university." In order to achieve this objective, Ontario's financial aid system and related administration must be restructured.

The Canada student loans program was designed in 1964 to assist students with educational costs. Although changes to the program have been made since that time, the original framework remains intact. The combination of public pressure to increase spending in other areas—mainly health care—combined with increasing government pressure to download education costs on to students through increased tuition and course-related fees has resulted in an inconsistent financial aid policy in Ontario.

In theory, when tuition and other fees go up, the amount of financial aid the government provides should follow equally. In Ontario, this has not been the case. Due to tightened eligibility rules within the Ontario student assistance program and frozen loan limits since 1994, the reduction in direct assistance provided to students has been in decline over the past decade. Between 1996-97 and 2002-03, there has been a reduction of over \$700 million in the amount of direct financial assistance received by students.

In a survey of over 6,900 current Ontario college students conducted by the College Student Alliance, when asked, "In the pursuit of your post-secondary education, have you accumulated personal debt other than OSAP?" 60% of participants indicated that they were carrying debt outside of the OSAP program. Of those participants who said they were carrying a debt beyond OSAP, 26% said they had debt loads in excess of \$4,000.

Approximately 50% of Canadian post-secondary students take out student loans. According to the Canada Millennium Scholarship Foundation, in 2001-02, 63% of students receiving an OSAP loan had an unmet need of \$3,070 for that academic year. "Unmet needs" means that OSAP assessment said they need it, but due to the needs assessment, they were unable to access the funds.

Students are concerned that the need to incur substantial debt in order to obtain a post-secondary education is not the only barrier to access. It limits the student's decision of what and where they will study. Besides the financial barrier to post-secondary education, many northern Ontarians have seen cuts to the programs offered at northern institutions as a result of underfunding.

Over the last five years, Cambrian College has cut and/or suspended the following programs: horticulture technician, carpentry technician, records and information technology management, native child and family worker, geology technician and dental assistant. Confederation College has cut 10 programs for the last two years. Northern, Sault, and Canadore have also faced cuts to programs and have consistently been faced with making these decisions on a regular basis.

The decision to cut or suspend a program due to financial constraints is always a hard one for a northern institution. I believe that northern institutions do everything in their power to serve the needs of the local

community. Now I ask you, how are we serving our northern communities by cutting programs that are essential to the health of our local economies?

1050

Colleges in northern Ontario are the economic drivers within their respective communities. An increase in base operating funding would not only help the stability and sustainability of a northern college, but also the northern communities and therefore the local economies as well.

Chronic underfunding of Ontario's colleges has resulted in a crippling of student service units. For example, during peak exam times, students at some colleges who request an appointment with a college counsellor can expect wait times of two to three weeks. This lengthy wait time reduces the ability of the counsellor to provide immediate assistance and the student to derive the benefit of their advice during these crucial times. In northern Ontario, many institutions have been forced to cut back student service areas such as the library, counselling, medical clinics and even some essential services. For example, Confederation College this year has cut back garbage and recycling pickup, cleaning services and mail delivery.

As a result of the deep cuts to base funding in the 1990s, students are expected more and more every year to directly fund many of their own support services. For example, students at some colleges are currently paying over \$920 per academic year, or 50% more than their base tuition, to fund these services. Athletics, career counselling and peer mentoring are in most cases being directly funded by students through mandatory auxiliary fees. Every year, students are seeing an increase in their mandatory auxiliary fees because the student administrative councils, which have the final say on all of these increases, are being asked to raise these fees or lose the service. Soon, higher education will become inaccessible to those from smaller and rural communities, aboriginal communities and francophone and anglophone communities.

The college and university systems in Ontario were established as distinct entities serving different mandates. This has resulted in a two-tier system. The current post-secondary education system is missing the necessary architecture to facilitate the movement of students between the two tiers.

Those who chose to pursue a college education, an applied education that in most cases is designed to provide students with the skills they need to directly enter the workforce, find it difficult to subsequently pursue an education at the university level due to the lack of credit transfers and appropriate recognition of prior learning. In order for graduates to be successful in an increasingly competitive market, a system that facilitates the easy transfer of learning outcomes within and between the tiers, thereby preparing graduates with the appropriate integration of practical and theoretical learning, must be established. In the survey results provided with this presentation, 34% of students surveyed said they intended to pursue a university education after their

college program of study, and 22% said they had the intention of attending university in a full-time capacity shortly after the completion of college. Ontario's students and future workers should not be restricted to choosing an education that offers only practical, theoretical or technological skills, but rather a combination of all three.

By addressing transferability for all students within and between institutions and through appropriate levels of recognition, we would be putting students first. In doing so, we would ensure that all levels of post-secondary education are legitimate and relevant for each and every student, and we would have truly created an integrated system of learning. Students need to be able to freely move between universities and colleges without redundant learning and without the negative effects of institutional competition.

Ontario's post-secondary system has become a privilege for those Ontarians who can afford to pay, when it should be a right. If we continue to increase the reliance on students to fund Ontario's post-secondary education system, education at this level will very soon become a privilege for those from the highest socio-economic background. If the trend of downloading costs on to students is not reversed soon, the student demographic at Ontario's colleges will soon match that of Ontario's universities, where those in the highest socio-economic background are more than twice as likely to attend than those of the lowest socio-economic background.

I would encourage you to take the first step in implementing lifelong learning in Ontario and truly making higher education accessible to every citizen of Ontario, no matter what their socio-economic background. An investment by the province to adequately and appropriately fund Ontario's colleges, especially those in northern Ontario, will contribute to the economic growth and stability of our province.

I would strongly encourage you to accept the recommendation put forth by the Association of Colleges of Applied Arts and Technology to raise provincial funding of Ontario's colleges to the national average, as well as funding the recommendations put forward by the College Student Alliance, the official voice of over 110,000 full-time college students in Ontario, including the students of Cambrian College. Thank you.

The Chair: Thank you for your presentation. The questioning now will go to the NDP.

Mr Prue: We know that Ontario's colleges and universities are in pretty desperate straits. We know that they rank 10th out of 10 in Canada and 59th out of 60 in North America in terms of how much we spend on students. In order for Ontario to come to the middle of the pack in Canada, it's going to cost—I believe the figure was \$260 million. That's how much would have to be spent this year. That's more than half of what the finance minister said he's going to spend in additional monies this year. I don't agree with him, by the way, but that's what he said he's going to do, and I don't think he's going to listen to me, any more than you. So I want to hear your best case why he should take half the money

in additional spending and move Ontario to the middle of the pack.

Mr Charlebois: First of all, I don't think post-secondary education or education in general is one thing that we can waver on or not invest any money in. Our current system—as you stated, we're at the bottom in almost every category, which I don't think the richest province in Canada should be at in terms of educating its society. We need to invest in education because that's how we're going to improve everything. Improved health care stems from well-educated people working in their industries and in the hospitals. Every industry can benefit from education, and I think success in Ontario would be the result of an increase in funds to postsecondary education. Everything stems from education, so by investing in it, you're just investing in the future of Ontario.

Mr Prue: I am kind of worried in Ontario and in Canada that the needs of our native population have not been met in the past. Some 20, 30, 50 years ago, there were not many aboriginal peoples who wanted to attend postsecondary education. Those numbers are starting to go up significantly, yet there do not seem to be the funds. I like to ask this in northern communities: Can you tell me how many native students there are in your college or whether or not you think they have adequate access to higher education?

Mr Charlebois: Currently, I believe the number is around 400. You can ask Sylvia. I'm sure Sylvia will have a better understanding.

Mr Prue: I won't get a chance, because that will be the Liberals' turn.

Mr Charlebois: OK, sorry. I believe it's around 400 students that we have, but we also service many other First Nations students at remote campuses, such as our campuses in Manitoulin and Espanola, and the projects we do with the Anishinabek Educational Institute and other projects. Currently, I think in northern Ontario, yes, we do see an increase in aboriginal students attending postsecondary, but there are still many challenges they face in coming from remote communities to a post-secondary institution, which for some of them can mean hours and hours of travel, as well as being removed from everything they know. I think we are starting to get better in terms of making accessibility for First Nations students, but we're still not all the way there in supporting them in terms of the funding, in terms of allowing them to become an integral part of our society. I think there's a lot more we can do, and funding will help that, funding northern institutions properly to drive initiatives to go into those communities, reach out to them and bring them back to the institution.

The Chair: Thank you for presenting before the committee. You did very well.

1100

CAMBRIAN COLLEGE

The Chair: I would call on Cambrian College to come forward, please. Good morning. You have 10 minutes for your presentation and there will be five

minutes for questioning. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms Sylvia Barnard: Thank you very much. My name is Sylvia Barnard and I am the president of Cambrian College. I am a co-leader of the college, along with Tyler, whom you just heard from, and we do work very closely together. As he indicated, he has a very good understanding of the college and the college system.

There are a number of handouts that I'm providing for you. What I'd like to do is just very quickly direct you to the information in those, then be able to talk to you about the issues around underfunding and the challenges that northern colleges are facing and put some face to some of the challenges.

You are receiving a document entitled *The Unique Contributions and Challenges of the Small, Northern, Rural, Francophone Colleges*. That particular paper collects and documents the challenges that are faced by that category of college, which is 10 colleges across the province. I would encourage you to take a look at the kinds of things that are being done in other jurisdictions in our country and around the world in funding small, northern, rural colleges that are serving a different population and that provide a very different mandate of community development. There are some real success stories there that help to demonstrate why it is that the northern colleges seem to be facing the greatest challenges in the current funding model.

In addition to that, we're also providing you with the PowerPoint—that is, *Investing in Ontario's Future: Fund Colleges Now*, prepared by ACAATO. I know you're going to hear from colleges across the province and from ACAATO on the need for funding. You certainly all have heard about it. You read the papers, you are part of the medias you know what's going on and you know our message. We really are in a situation that is very critical: the underfunding of colleges. That particular document simply provides you with the information from ACAATO.

Finally, there is also a document that I prepared, *Colleges in Northern Ontario: The Keys to Strengthening Northern Communities*. As Tyler indicated, the strength of a community is the education of its people. We know from research that, first of all, colleges contribute a 12% return on investment for every dollar the government invests on an annual basis. So investing in colleges is a good thing for government.

In addition to that, we know that people who are better educated have lower health care costs. People who are better educated are greater contributors to the coffers of the province through their earning capabilities and also through development in their communities, because they tend to volunteer more, they tend to use social services less, they tend to be less involved with criminal activity and also, as educated people, they tend to earn higher and spend more within their own communities. So there is a sound basis for investing in post-secondary education and, in particular, in this case, in the colleges.

I'd like to talk a little bit about access. Tyler already outlined for you some of the challenges of access, and I was very pleased to have the question about aboriginal students. Let me tell you about some of the kinds of challenges and successes we've been able to experience.

On Manitoulin Island there are a number of First Nations, and over the last three years we educated nine students as carpenters on one of the First Nations. They attended class in their community. We brought them to our campus for some of the work. It was a combined delivery of face-to-face and some virtual delivery and a lot of travel back and forth. In the end, they succeeded not only in completing their qualifications as carpenters but they built two houses in their First Nation community. Each one of them is a four-bedroom house, heated through passive solar, which they designed. One house is being used as a group home and the other is being used as a foster home so that the children who are in crisis in the community are able to stay in their own community.

That's a success story. That success story cost Cambrian \$35,000 a year in order to provide that particular experience, because we can't provide a program for nine students and meet costs. But we did it because we believe in developing the community.

Right now in another community, we are providing health care instruction for practical nurses, and again, we have 11 students in that program. Those 11 students were 100% successful in their first year. They are all now in their second year. We don't have an attrition rate; we hold on to those students. We do everything we can. We can't make ends meet with 11 students in a program, but we do it because we believe in making sure that these students are able to be successful in their communities because they strengthen their communities, in the end. Normally, what we would do is look at other aspects of our operation in order to provide that kind of experience for the students, but we don't have any money in any other part of our operation.

Each year for the last four years, Cambrian has had to find \$4 million. We have had a continuous situation of each year having a \$4-million deficit, and I'm pleased to say we have been successful in balancing our budget every year. So we find the money. Where do we find it? We find it by cutting programs, we find it by cutting services, we find it by not doing deferred maintenance and we find it by being very entrepreneurial. We are currently in a position where we are bringing in approximately 5% to 10% of our budget on an annual basis through some of our entrepreneurial activities in order to fund some of these other activities that are going on, which we feel we need to do.

Cambrian has not had a librarian in its library for the last eight years. How do you keep a library current if you don't have a librarian? We run it with a few technicians. Cambrian is facing a \$6-million deficit in deferred maintenance—\$6 million that we need in order to meet our maintenance costs.

In 1993-94, Cambrian College had 4,300 students. At that time, we were bilingual. We had a \$63-million

budget. We employed 400 faculty and a total of 613 full-time staff. Then Collège Boréal was formed and we experienced a drop in students. We now, in 2003-04, have climbed back up to 4,300 students, the same number of students. Instead of a \$63-million budget, we have a \$50-million budget. It's 10 years later. There have been 10 years of inflation and we have \$13 million less for exactly the same number of students.

How do we do it? Instead of 400 full-time faculty, we have 200 full-time faculty. That affects quality in the classroom. Full-time faculty are the people who invest in making sure that programs are current. They make sure that students are served; they are available for students. Part-timers are coming from other jobs and they don't have time to spend two, three, five, six hours a week just meeting students. They're not being paid for it. They're being paid to simply teach in the classroom. Quality and retention are affected.

We now have 444 full-time staff instead of 613. Our administrators have been reduced by 50%. I'm running a college for 4,300 students with a \$50-million budget with 47 full-time administrators in order to try and put as much money as we can into the classrooms.

Each year, we see an increase in costs of about \$2 million, and you ask why do we keep having this \$4-million problem? Two million dollars of it is in costs to staff. Seventy-four per cent of our budget is staff, and each year our staff are entitled to their increases in the collective agreements and so on. That's where we are seeing half of our problem eaten up each time.

So I guess what I would suggest to you is that at the same time we are experiencing all of these successes, we're doing it in incredibly fiscally challenging times. I am hopeful this government is going to see that value and is going to invest in the college system. Thank you.

The Chair: Thank you. The questioning will go to the government.

Mr Colle: Thank you very much for that very compelling illustration of the great work you've done with the First Nations, what you're trying to accomplish with the First Nations students on Manitoulin Island. I think that's an excellent example of how you're going above and beyond the letter of your mandate, and I want to commend you for that.

One of the things you've mentioned that's very troubling to me and that I've heard from other college presidents is that we have the lowest-funded colleges in Canada. The universities tell us the same thing. We are the lowest-funded per capita in our universities, too, for our students. Are you aware of the fact that every year Ontario gives to the federal government, to the other provinces, \$23 billion above and beyond what we get back from the federal government in programs and transfers? Do you think it would be a good idea if we were able to keep some of that \$23 billion here, just a small portion, so maybe we could bring our colleges up to the national standard?

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Ms Barnard: I am very aware of all of the information that you shared. I would say one of the things that

has really impacted the college system has been the fact that all the other provinces have a labour market agreement with the federal government. That means that, through a labour market agreement, there are investments that are happening in those provinces, centres that are being created for the development of particular training programs, largely in the apprenticeship area or in other technical areas. The colleges are being funded to set up these kinds of institutions, such as a \$17-million project that was set up for simulation for marine training in St John's, Newfoundland, with the College of the North Atlantic. I can tell you about every province and what kinds of funding they have received through a labour market agreement.

In Ontario, because of the fact that we don't have a labour market agreement, the student is funded on an individual basis. Instead of having the dollars come into the institution and having a significant pot of money so you can then say, "I've got \$17 million and I can set up this training centre," and the students come in and they are funded to attend, what we have to rely on is hopefully we can bring together enough students who all want to take their training dollars and come and participate in a training program. It becomes a very scattergun approach. It does not allow us at any time to invest in any equipment.

At Cambrian we do underground core mining training. That is our very large project with HRSD and it is very successful. But that's because we happen to be in the right place for mining and we're in a mining boom and they have seen fit to fund these students at this particular time. But I'm told that that funding is running out and we may not have that next year, so there goes about \$1.5 million that I'm going to have to find next year in the budget because we aren't going to get that training.

Each year we are sitting on this razor edge of trying to know what kinds of training we will be able to get funded, whereas we see the other provinces getting the money for these large institutions. So anything that the Liberal government here could do with the Liberal government federally to come to some kind of an agreement around investment, and then recognize the colleges are well positioned to do that kind of training—because we have the expertise, and we certainly have the will and the experience—would be very helpful for the college system and for the growth of our communities.

The Chair: Thank you for your presentation this morning.

CHILD CARE RESOURCES

The Chair: For the benefit of the committee, the 10:15 presentation has cancelled. Now I would call on Child Care Resources to come forward, please.

Mr Colle: It's 11:15.

The Chair: Did I say 10:15? The 11:15 has cancelled. And a correction to your sheet: The name "Lisa" should be "Lois."

Good morning. You have 10 minutes for your presentation. There will be five minutes left for questioning. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms Lois Mahon: My name is Lois Mahon. I'm the executive director of Child Care Resources, and I would like to thank you for the opportunity to chat with you this morning.

Our agency is the lead agency for the Ontario Early Years Centre—Sudbury and also with the preschool autism program for the northern region. We also deliver the school support program for children with pervasive developmental disorders. We deliver out-of-home respite services for children with high needs and multiple needs and provide special-needs resourcing to all child care programs in Sudbury-Manitoulin.

We currently provide a 24-hour therapeutic residential program for three children with severe autism. As a children's services provider, we participate in single point of access here in Sudbury-Manitoulin and also in many network forums.

Today I'd like to highlight for you four key areas that the Child Care Resources board and myself would like you to consider as you prepare for our next provincial budget. These include: first, the need for enhanced funding to address gaps in developmental funding services for those children who are developmentally delayed; second, to provide resources to support children with special needs in Ontario Early Years centres and to include support for these children in the new Best Start strategies; third, to identify the challenges of providing services in northern Ontario that require funding allocations to be flexible and, in some cases, enhanced; and fourth, the need to support research, planning and program evaluation in a meaningful manner.

Let me begin with services funded by the Ministry of Children and Youth Services for those children with developmental delays. Certainly not to diminish the need that child welfare and children's mental health services have for enhanced funding, I'd like to point out that the services for children with developmental delays, Down's syndrome and similar diagnoses seem to have been forgotten. These children and their families continue to require support at both ends of the service spectrum. Families need coordinated respite that meets the needs of their child and their specific family. They need assistance and support in coordinating services and in advocating for their children. These children and families require access to clinical services: psychology, occupational therapy and physiotherapy, social work, speech and language. Above all, these children need direct support so that they can be successfully included in their neighbourhood schools and in the community.

In our community of Sudbury-Manitoulin Island, these children and those children who don't qualify for the more intense preschool autism program really only have access to one program, that being out-of-home respite service. Some families can access special services at home, a directly funded program. However, families that

are already overburdened and stressed and dealing with challenges have little energy or ability to recruit, hire, train and supervise workers.

Residential supports for children with developmental delays and for those kids with autism seem now to be required only for those kids who are at the severe end of the spectrum and who are functioning at a very low developmental level. These children often present with very challenging and aggressive behaviour, they're often nonverbal and they require both intensive therapy and high levels of care. In our experience, these kids are usually able to live with their families as preschoolers, but as they reach adolescence, their needs increase dramatically, and often by that time their families are no longer able to care for them. The cost to provide support for these children is exceptionally high. In our community, it's costing \$500,000 per year per child, and currently there is no existing base funding for this support. While this is a small number of children, I would guess both provincially and locally, their care needs are high. Funding is certainly a challenge, but nonetheless a critical need, in our opinion.

In terms of early childhood development, we in Ontario can be proud of the movement we have made with our Ontario Early Years centres, and we look forward very much to the implementation of this government's new Best Start strategy. However, we urge you to ensure that as you budget for this initiative and for Early Years centres, you include funding to provide support for children with special needs. Currently, the special needs resourcing funds and programs are managed by local levels of government—municipalities and, in the north, district social service administration boards—as part of the child care envelope with, as you may know, the province contributing 80% and the local government contributing 20%. These programs ensure that all children, including those with any special need, from physical challenges to developmental delays, from mental health concerns to autism, can participate in regular programs enhancing their development. However, funding is very limited and is provided only for child care programs, not for Early Years centres.

Current research supports our premise that everyone benefits from programs where all children are included and that early development maximizes every child's potential, decreasing future and often more costly interventions. We trust, therefore, that the development of Best Start strategies will include specific budget allocations for special-needs resourcing, that all existing child care budgets to municipalities and DSSABs will have adequate money to support Best Start, existing child care programs and to expand to include support to the Ontario Early Years centres and to children of our First Nations.

In a recent position paper presented by the northern Early Years centre, the following was noted: While the population is slightly over 10% of the province, the north of Ontario covers over 800,000 square kilometres, or 89% of the provincial land mass. Northern Ontario is

made up of 154 municipalities, 104 First Nations and over 150 unincorporated communities. Some of these are fly-in communities only, with no road access. We have a large francophone population, and we must ensure services in both official languages almost everywhere in the north.

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We are designated underserved in health care in 34 of our communities and have over 100 specialist vacancies. Many of our First Nations are in crisis and don't even have the basic necessities of life. As you are aware, youth suicides are extremely high.

Due to out-migration, most of the 33 school boards and authorities have had to close schools. In many of our rural areas, children are bused for very long distances.

We have six DSSABs—district social services administration boards—and one consolidated municipal service manager, and these attempt to span the 800,000 square kilometres and over 250 non-aboriginal communities. Their focus is on ambulance, social housing, Ontario Works, daycare fee subsidy and daycare special-needs financial management.

To those of you who will have an influence on the development of this provincial budget, we urge you to consider these facts as you allocate resources, particularly to your Ministry of Children and Youth Services. We also encourage a flexible approach for transfer payment agencies in the utilization of these funds. Often northern communities have creative ideas, as necessity becomes the mother of invention.

My last point is that you would adequately fund generic programs such as our local social planning council to assist both yourselves and service providers in collecting data that is accurate and timely to demonstrate that resources are in fact spent meeting the needs of children and families, that the services provided are of high standard and quality, and most importantly, that they are coordinated, complementary and collaborative to maximize resources and to provide seamless services to children and families. Thank you.

The Chair: Thank you. We will begin questioning with the official opposition.

Mr Miller: Thank you for coming today. I guess, first of all, questions about the area that you service. How big an area is it that you personally—

Ms Mahon: We provide services in some of our programs from Sudbury East to the Manitoba border; other of our services are provided to the geographic area of Sudbury-Manitoulin district.

Mr Miller: OK. For that area, how many Early Years centres would you have?

Ms Mahon: Our agency itself is responsible for one Early Years centre, in Sudbury-Manitoulin. As you know, the allocation of Early Years centres, unfortunately, as you're probably aware, came down with political boundaries rather than the traditional service boundaries. So we have four Ontario Early Years centres serving Sudbury-Manitoulin and we have six serving the north part of the province.

Mr Miller: They were introduced a couple of years ago. Have they been a success, in your mind?

Ms Mahon: In the north, we have provided services in a collaborative way with all of our Early Years centres and we've worked very closely with our other children's services providers—children's mental health and our child welfare agencies—to be a front door and to be a support to those other programs. I think that we've had some challenges in the north, particularly my colleagues in the Kenora-Rainy River area, who have such a geographic area to provide service to with such a limited budget. But we found ourselves in the north really integrated into the rest of the children's services and so I would have to say that we've become very effective.

Mr Miller: Certainly the geography and the huge distances in trying to provide service to the areas is a challenge.

Ms Mahon: Exactly, yes.

Mr Miller: I know in my own area of Parry Sound-Muskoka, they ended up using a whole bunch of small satellites in the delivery model.

You were also talking about autism services that you provide. You state that the cost of delivery for adolescent people is half a million dollars per year.

Ms Mahon: This would be the cost that we currently are looking at for three kids. This is sort of an average cost, but this is a cost per child. This is for kids who are at the very most severe end of the spectrum: children who are non-verbal with aggressive behaviour who require very intensive therapy and high levels of care. So that's a residential kind of support for those kids.

Mr Miller: I was a little bit taken aback by the amount. I believe the government made some promises in the last election to do with autism services beyond age six, but I'll let them speak about that.

You wanted to ask a question?

Mr O'Toole: Yes. I just want to follow up.

I appreciate the work you do. It's very important for vulnerable children; I couldn't agree more. And the delivery, as Mr Miller has pointed out, is difficult. But the autism issue, as you know, has been before the courts and they have not ruled. Do you have any comments on that that you would share with the committee? It is and will remain very important. Shelley Martel has been a strong advocate on that particular file, and I haven't been convinced by the response by the ministry that they're prepared to do anything particularly new on the autism file, which is difficult.

Ms Mahon: I bring to your attention today the need for services outside the existing preschool autism program and school support program. As you know from my presentation, we are the service providers for both of those programs. I have to say that to this point we in the north have felt adequately supported in the delivery of those programs, notwithstanding the need for the other supports I talk about today in terms of respite, in terms of residential for those kids who don't fall into the criterion that's established by those programs.

We feel that in the north we've been able to enhance the number of kids we provide service to in those areas.

We've got a challenge in that area in the program. In the province, the program, as you may know, is provided both in a regionally funded program and provides the opportunity for families to purchase their own services. We've not had any private operators who have come to the north. I guess the profit margin here is not sufficient, so options for families in that area are sometimes limited. That's not anything to do with anybody's funding but rather, I guess, just market. But we at Child Care Resources, in our work with children with autism, would like to bring to your attention that it's the services that wrap around families that need attention.

Mr O'Toole: One final question, if I may—

The Chair: The time has expired. Thank you for your presentation.

For the committee, our next two presenters have not arrived, so we will recess until 11:45.

Mr O'Toole: Chair, with the indulgence of the committee, I would like to make a comment and I would like it to be recorded in Hansard. It's really requesting research, not in any partisan way. It's preparation for research.

I would like to bring forward a research request relating to the automotive sector.

As we are all aware, the automotive sector in Ontario is in competitive and challenging times, and this is the way it has been for some time. I believe that one of the issues we should be looking at as we work toward our final recommendation to the Minister of Finance is how the province can continue to provide support to keep these valuable jobs in our province.

Project Beacon is an initiative that has been proposed by General Motors of Canada intended to accelerate Canadian-based automotive innovation and competitiveness in conjunction with Canadian educational institutions and automotive suppliers.

As we are hearing from many colleges and universities from across the province their desire for more research support, I felt now would be a good time to put this request forward so that we have some information well in advance of preparing our final recommendations to the Minister of Finance.

I would ask that the researcher kindly look into the status of Project Beacon and their requests for financial support from the provincial and federal governments, and provide members of this committee with a brief overview of how this project could be advanced through upcoming budgets.

This is a project that deserves to be looked at very seriously. I have previously voiced my personal support for their efforts. I look forward to having an opportunity to discuss Project Beacon with members of the committee at a later time.

I have prepared a brief background on Project Beacon, which I will supply to the researcher.

I would ask the Ministry of Finance, who have officials attending these meetings, to work with the Ministry of Economic Development to prepare a report

for members of this committee before we conclude our pre-budget hearings next week in Toronto.

The reason I do that is that this project is very high-profile. There has been correspondence with the Prime Minister, with the Premier and with the ministers I've mentioned in my remarks.

I'm not sure just how to deal with it, Chair, and I appreciate your indulgence. I'm going to give this to the clerk and he can pass it to the researchers. It's about a \$2-billion project, and it's been mentioned by two colleges. It's exactly that; it's skilled trades training and it does have to do with the labour market agreement. Part of the solution is the labour market agreement that's been mentioned twice in these hearings so far. So with your indulgence, I appreciate the opportunity.

The Chair: Very good, and if you provide it in writing, it would certainly help.

Mr O'Toole: It's in writing. Thank you.

The Chair: With that, I did recess.

The committee recessed from 1130 to 1151.

JOANNE QUERNEY

The Chair: The standing committee on finance and economic affairs will come to order once again. I would ask that the Sudbury audiologist please come forward.

Ms Joanne Querney: Good morning, and thank you very much for adding me to your agenda. Can you hear me all right?

The Chair: Yes. I'll just explain, which I'm rather compelled to do, that you have 10 minutes for your presentation and there will be five minutes for questions. If you would identify yourself for the purposes of our recording Hansard, you may begin.

Ms Querney: My field is communications. I can say a lot in 10 minutes.

My name is Joanne Querney and I'm an audiologist. I've been in practice for 20 years in Sudbury and I am a northern Ontario native. I've been very active in the province in terms of involvement with committees—government committees, professional association committees—and the establishment of practice standards and hearing testing guidelines for the province.

You have before you a two-page summary of—sorry, no. A very nice lady in the green jacket, who is not here, put them in a corner somewhere, because it had to be the clerk who handed them to you.

Interjection.

Ms Querney: That was really just a check to make sure you were all listening. Now you have before you a two-page document.

The issues that I would like to speak with you about today are not new issues. In fact, it's a pleasure to see some familiar faces around the table, because we've had some of these discussions before. I'm very pleased to say that since some of my last discussions with some of you, we do have a wonderful infant hearing program in Ontario. It is probably the best-regarded program internationally in terms of the protocols. They are cutting-

edge. It's a fabulous program. As an audiologist, I'm very grateful that the government has recognized the importance of identifying kiddies who have hearing impairments at the earliest possible age and getting them started on a course of good communication.

Audiology, as a specialty assessment and therapeutic field, has grown over the past two decades in order to meet the increasing hearing health care needs of primarily infants, children and the elderly. I say that because that's primarily who has hearing impairments: kiddies with ear infections and, as we age, almost all of us after the age of 35 develop some hearing loss. It's not a medically or surgically treatable hearing loss; it's part of the normal aging process. The treatment for that is appropriate assessment and primarily the fitting of appropriate hearing aids.

The Ministry of Health has recognized that the assessment of infants and children is an important health care need and requires specific expertise, such that the infant hearing program in Ontario specifies that only audiologists may perform diagnostic assessments and prescribe amplification for children under the age of three. Funding is provided directly to audiologists for these clinical services.

Unfortunately, funding for the remainder of audiology services has not kept pace. When audiology emerged as a field of clinical expertise, funding was provided under the auspices of OHIP, and this model continues to this day. Audiologists do not have access to direct public funding for clinical services rendered. Rather, they must borrow a physician's billing number and pay a percentage of the fees billed. I can tell you that often 40% of the fees that are billed—in that range—get kicked back to the physician for that privilege. Alternatively, an audiologist can work for a physician in order to be compensated from the public health care dollars. As a consequence, there are a number of audiologists who do not provide audiology services within the public domain; they operate self-pay private practices for those residents of Ontario who are able to pay as they go.

Currently, the elderly in Ontario, who comprise the vast majority of people requiring publicly funded hearing health care—again, approximately 90% of hearing problems are age-related—are required to see their family physician in order to obtain a referral to an ear, nose and throat surgeon, who in turn refers them to his or her clinic for a hearing assessment. That hearing assessment may be provided by an audiologist; it may be provided by your mother or your next-door neighbour. Hearing testing in Ontario is an unregulated field. It's in the public domain. Anybody can hang the shingle and test your hearing.

Subsequently, the individual returns to the ear, nose and throat surgeon or their family physician in order to obtain the test results. This is the protocol that we have established in our province as that required to obtain a publicly funded hearing test. If there were any value added to the individual who's trying to cope with the hearing impairment by requiring them to see several

physicians as part of obtaining hearing health care, I can assure you that our professional associations and our regulatory college would support that model 100%. However, there is zero value added in having a physician as a gatekeeper for hearing health care. The reality is that the vast majority of hearing losses do not have a medical or surgical component to their identification, treatment or remediation.

Rather, in addition to the lost time spent in physicians' offices by both the elderly individual with the hearing loss as well as the caregiver who often accompanies them—I can tell you, that's usually one of their children, who has had to take half a day off work to bring their parent to the appointment—our tax dollars are paying for unnecessary office visits. In order to bill for a publicly funded hearing test in OHIP, if you look at the minimum requirements, they are a visit to your family physician for a referral, a visit to the ENT who assesses you and then sends you for the hearing test, and then you have to go back to a physician for the results to be rendered. If you go back to the GP, because that's cheaper—and this does not include the hearing test; this is just the cost we're paying as taxpayers to doctors to do all of this referring—it's over \$100; \$109.70 is the bargain base-ment cheapest you can do it for. There are models that are being used in this province that end up resulting in an additional \$229 per patient just for those physician fees to act as a referral mechanism and conduit for that publicly funded hearing test.

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Data from the Ministry of Health suggest that approximately \$26 million a year is paid from our taxpayer dollars for hearing testing. This translates roughly into 433,000 hearing tests per annum based on an average assessment fee of \$60. It's actually about \$58, but I took some liberties rounding.

If we use an average add-on cost of requiring physician visits as a precursor to obtaining a publicly funded hearing assessment, then the additional cost to the system for a zero-value-added service is \$169, which would be the average of those two figures, times 433,000 hearing assessments, which totals \$73-million-plus a year. Again, that's not for the hearing test. The hearing test is less than \$60. That's for the route that we're paying in order to provide a publicly funded hearing test.

How can this system have been perpetuated? Many ear, nose and throat surgeons consider that—and this is their language from their documents—it is their "rightful remuneration" to hire an audiologist, bill OHIP for the audiology services and pocket the difference.

I sit on the College of Physicians and Surgeons' diagnostic hearing testing task force, and have for six years, and I can tell you I have personally had this conversation with several of the leading ear, nose and throat surgeons in our province who, to give them their full due, are excellent surgeons and excellent providers of medical care, but they're not audiologists. They view this money they glean as their rightful remuneration in lieu of a pension plan, because they're not provided a pension

by the province. That's their retirement fund, and I can tell you that's a direct quote.

If you consider that an ear, nose and throat surgeon who's billing for these hearing tests hires one hearing tester—whether that's an audiologist or your mother or whomever—and bills conservatively, they will pocket about \$2 million in that 30-year practice. That's the profit. That's the differential between the salary and what they're billing. There are a number of ear, nose and throat physicians who run multi-testing practices. So I'm sure the math is apparent.

It is our contention that Ontario residents who are experiencing hearing difficulty deserve better. Certainly, the taxpayers of our province deserve better. Some \$73 million is a lot of money to waste.

Audiologists, who are trained at the doctoral or masters level, require a minimum of six years of university training to practise in this province, and the majority of us have seven, eight, 10 years, depending on the training route that you've pursued as a post-graduate student. Audiologists are exquisitely trained to delineate those hearing losses for which no medical or surgical treatment is possible. It's not rocket science. It's very clear hearing health science. It's not difficult.

The vast majority—and there's literature to support this, and the literature reviews have been sent to committees previously. I'm very happy to send them again if you're interested in having them. The Americans have looked at this quite strongly. Veterans Affairs in the United States, which drives a lot of the hearing health care practice there, has determined that physicians should not be gatekeepers. It's not an effective model. The data is out there.

There are very few cases of hearing loss that have a medical or surgical component. For those that may, it is our training to determine that and to refer those back to a physician for the appropriate medical care when it's required.

For the vast majority—again, your parents, ourselves; we fit a lot of people in their 40s and 50s with hearing aids these days—there is no medical or surgical component to that. There is no need to waste that money. It's much more efficient and effective to use the audiologist as gatekeeper, evaluating individuals with hearing loss, treating those for whom medical or surgical intervention is not an option, and referring to physicians those few individuals for whom this is an appropriate route.

General medical practitioners receive no training in audiology. Ear, nose and throat surgeons recently had their training in audiology doubled. It used to be one week given by audiologists; it's now two weeks. That's their entire training in audiology, and as a consequence of that, they are then given the keys to this golden billing opportunity for a domain that is neither their expertise nor their right.

By using audiologists as gatekeepers, the province will save \$73 million a year. The cost of the hearing test doesn't change. Just as a comparison, the excellent infant hearing program we have in this province, which is the

best-funded infant hearing program probably of any in the world, costs us about \$20 million. It does not use a physician as a gatekeeper. Physicians are not allowed to test or to prescribe for children. The Ministry of Health recognizes that it is the audiologist's expertise that is required. And look at what you can get for \$20 million when you spend it appropriately.

You will also increase accessibility. Fewer office visits will be required. People—again, primarily seniors, because that's who is using the hearing health care system—will not have to go to the physician's office and sit there for an hour waiting for a referral slip, and then go across town on another day to an ear, nose and throat doctor's office and sit there and wait for an appointment before they finally get to an audiologist.

We will also enable the medical community to better serve their patients by freeing up at least—get this number—1.3 million office visit spaces for people who are really sick or who require medical expertise. This is a particularly valuable number, 1.3 million physician visits, in communities like ours where 30% of patients do not have family doctors. I can tell you from personal experience that we've had to send people to the emergency room of our hospital and to the after-hours clinic because they require a referral and that's the only way they can access one. I think we can do better.

Last, we will also be recognizing the training and expertise of the audiologists of Ontario by providing funding for the services which we render on a daily basis to the residents of this province. Thank you.

The Chair: We'll move to questioning from the NDP.

Mr Prue: Thank you—most interesting. This is absolutely interesting, but you've made it before.

Ms Querney: Absolutely.

Mr Prue: And nothing has happened. I can only assume, and you can tell me if I'm wrong, there must be somebody in the finance department and maybe even some politicians who have thought this is a good idea. It hasn't happened, I must assume, because the doctors have spoken out against it, have talked against it, have rallied around the flag and done whatever. Is that the case?

Ms Querney: I can speak from my own experience, which again is as an advocate for the hearing impaired and somebody who has been involved with a lot of committees provincially, nationally and internationally that involve physicians. In our province, my experience personally has been that it is a small group of very aggressive ear, nose and throat surgeons who have bullied and steamrolled some of these perspectives through their colleagues. I have had several ear, nose and throat specialists who have said to me, "This is absolutely terrible; I'm so sorry that this is the situation," but they will not step forward because they are afraid of a few people who have been the leaders in the OMA and the ENT section of the OMA who have run interference.

If you look at the committees that have been struck, there has not been one committee that any government in this province has struck that has been comprised of

audiologists. Who do we look to when we're looking to set policy? A group of physicians. Boy, talk about the fox guarding the henhouse.

Mr Prue: In community health centres, are audiologists usually part of the team in those centres or not?

Ms Querney: I'm not an expert on community health centres; however, Sault Ste Marie does have one centre that does have an audiologist. I believe Hamilton may have one, but I am not sure. But that would probably be pretty much it. We have no community health centres that are anglophone in our district. The francophone community health centre that we have does not employ an audiologist.

Mr Prue: In larger communities—Toronto, Hamilton, Ottawa—the community health centres, I would assume, could have an audiologist if they wanted one. Would you recommend that that be part of the health team in those places?

1210

Ms Querney: I think totally irrespective of a community health centre, which quite frankly I couldn't comment on because I'm not familiar with the practice protocols and what the scope of a community health centre is, it certainly would be very worthwhile looking at as part of the LHINS, for example. I have certainly made the point that audiologists are a part of the health care team. I believe if you look at the reviews that have come in from across the province, audiology is consistently included as part of the health care team, as we try to redefine what health care is in this province and in this country as something more than a physician-based service.

Mr Prue: Are there sufficient audiologists at the present time in Ontario? If we took this away from the doctors—and I know that in some rural communities there may not be audiologists—are there enough to service all the needs of those who are losing their hearing?

Ms Querney: If you look at the waiting lists in Ontario, they're pretty short. In northern Ontario, in Sudbury, where we tend to be chronically underserved in many things, we do not have a long waiting list—a week, for example—for an audiology assessment. Again, I do not believe that that is an issue.

Certainly, patients who have hearing difficulties should be seen by audiologists. I would suggest to you that we would certainly be very interested in engaging in that discussion at a committee level, if the government felt it appropriate and saw fit to move in that direction.

The Chair: Thank you for your presentation, and I thank you for your patience in waiting for the committee to reconvene.

Mr O'Toole: On a point of order, Mr Chair: I would move that the committee request the Minister of Health to review the regulations affecting the scope of practice of audiologists and bring forward their plan to deal with the requirement of a physician visit as a precursor prior to the visit to an audiologist. This is in response to the presentation we've just heard. This could result in the

saving of \$73 million and improve access to services for citizens with hearing problems.

I submit that written request to the clerk.

The Chair: Thank you. And thank you for your presentation this morning.

Ms Querney: I thank you kindly. Any other questions?

The Chair: The time for questions has expired.

Ms Querney: Oh, I thank you very much for your time today.

LAURENTIAN UNIVERSITY

The Chair: I would call on Laurentian University to come forward, please. Good morning. You have 10 minutes for your presentation. There would be five minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms Judith Woodsworth: My name is Judith Woodsworth. I'm president of Laurentian University. I will introduce my colleague, who will begin to speak: Mr Ron Chrysler, vice-president, administration.

Mr Ron Chrysler: First of all, let me thank you for the opportunity to speak to you today and to bring to your attention a number of issues of importance to Laurentian and to other Ontario universities, and, I think more importantly, to all the residents of Ontario.

As you are no doubt aware, the Premier and the Minister of Colleges and Universities have appointed Mr Bob Rae and an advisory panel to conduct a comprehensive review of the structure and funding of Ontario's post-secondary education system. Mr Rae, after conducting an extensive consultation process, will soon submit his report and specific recommendations to the Premier and to the minister. In the short time we have today, we would like to highlight a few points that have been included in submissions to Mr Rae by Laurentian and by the collective of Ontario universities. We believe it is important for this committee to be aware of these items as you undertake consultations in advance of the province's 2005-06 budget.

The first item we talk about is funding of Ontario universities. I think you have to view this as an investment by the province, an investment that contributes to the economic health of the province through having a more educated populace and through the research activity conducted in the universities. As has been stated by the Premier at the Ontario economic summit in October this year, "The best way to attract investment and create high-wage jobs that last is to build the best educated, most highly skilled, most productive workforce in North America." So an investment in Ontario's universities really is an investment in the economic health of this province.

Ontario universities have found themselves struggling to maintain quality and competitiveness with other jurisdictions as funding has failed to keep pace with increased enrolment and increased costs. Comparisons with the

funding provided to universities in other jurisdictions reveals the following:

Ontario ranks at or near the bottom in terms of provincial operating support to universities, as measured by operating grants per student, per capita spending and per \$1,000 of provincial personal income. If operating grants were increased to the average funding per student in the nine other provinces in this country, this would result in increased funding to Ontario universities of \$850 million, an indication of how far we have fallen in this province in terms of the funding.

As another measure of the gap in funding, a comparison with publicly supported universities in 14 US states reveals that the operating funding falls short by about \$1 billion.

Another issue that I think is of importance to you is the investment in physical facilities located on Ontario campuses. Many of these buildings, including those on the Laurentian campus, are more than 30 years old, which is considered to be the average life cycle of a building, and are in need of significant renewal. The funding currently being provided by the province for renewal of facilities of all Ontario universities is just over \$25 million annually. This is grossly insufficient to address the deferred maintenance problems faced by universities. A report which has been submitted to the Rae review estimates the total deferred maintenance problem at \$1.5 billion. If we are to continue to provide quality facilities to students and to maintain our research capacity, this will have to be addressed by increased funding.

The other capital item we would like to bring to your attention is funding for new facilities. At the moment, the ministry does not have a specific program in place to address capital needs. This is a particular concern for Laurentian, as we've seen our enrolment increase by 50% over the past few years, and it's creating significant space problems for us. Although the province did fund new facilities at most other Ontario universities over the past few years, Laurentian, as a result of its earlier lower enrolment levels, did not receive any funding for new buildings. We now find ourselves in the position of requiring significant new space to meet new program needs and to provide space for our increasing research activities. We acknowledge that universities have traditionally been asked to partially fund new facilities from fundraising efforts, and we are prepared to do so, but without some government support this is very difficult. It is important for Laurentian and other Ontario universities that the province put in place a funding program for new capital facilities.

At this point, I'm going to turn it over to Dr Woodsworth to bring other points to your attention.

Ms Woodsworth: I'd like to thank you again for giving us this opportunity to address you.

One of the stated goals in the Rae review and one of the goals of this government has been accessibility to higher education. This has been one of the core values of Laurentian University since it was founded. We believe in accessibility, and we don't restrict enrolment to people

who have 85% averages, either. We've made a commitment over the years to provide an opportunity for university-level studies throughout northern Ontario. We do this through distance education and a lot of interesting and innovative partnerships. This is particularly important for our region because we've looked at the participation rates, and we find that they're significantly lower than the average for the province. To give you an idea, the average percentage of people in Ontario with some post-secondary education is around 24%, but in the north it's 12%. So we're very, very far behind. When we look at these figures, it's even worse for francophones and aboriginals. So we think we have a role to play, as a bilingual and tricultural university—tricultural because we have a significant aboriginal population—in improving the participation rate of northerners, but this kind of initiative will require special support over and above the general funding requirements: a lot of extra money for attracting students and retaining them.

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Also, we've got a lower proportion of graduate students than other universities in the province, and we have now a significant number of masters programs. In the last couple of years, we've introduced PhD programs for the first time, but we will need extra funding to support this graduate initiative.

There's research behind all this. You may be aware of Roger Martin, the dean of business at U of T, who's led the institute on competitiveness and prosperity. His studies show that higher education levels have a direct impact on prosperity and competitiveness. He's speaking for the entire province of Ontario, but if it's important for the prosperity of Ontario, then it's even more important for the prosperity of the north. We feel it's very, very crucial in this region to improve the participation rates here.

Laurentian is very much aware also of the important role that it plays in the economic development of Sudbury and northern Ontario. Maybe more than a big university in a big city, a university in an area such as ours has that role. We do this by attracting students from outside the region and also by the kind of research we conduct, the scope of our research activity and also the direct impact that our research has on the economic development of the region. I give mining as an example. We do research in the field of mining that has a direct effect on the industry. We accept this role and continue to work at it, but we will require provincial support in terms of funding and space in order to play the role to its full potential.

I want to just conclude by emphasizing three areas of strength for you, and these are very positive areas for Laurentian University: health sciences, environmental sciences, and the mineral sciences and mining sector. In each of these areas, we're very grateful for the support that we have received, but we want to emphasize that we need more help and the continued support of the government of Ontario.

First of all, the Northern Ontario School of Medicine, which is the school of medicine of Lakehead University

and Laurentian University, will open its doors to new students in August, coming up in just a few months. We've had a very good initial investment, but we still have not received from the province confirmation of what the operating grant will be. We haven't gotten confirmation yet for the per student funding, and we need it for our accreditation.

We are also very proud of a collaborative research initiative called the co-operative freshwater ecology unit, which is a joint venture with the Ministry of Natural Resources and the Ministry of the Environment. To date, we have been unable to receive a commitment to move forward with the very much needed permanent facility to house the world-class research that's being done by this co-op unit. They are now operating out of cottages on the edge of Ramsey Lake that are part of a former provincial air base going back to when, Ron?

Mr Chrysler: The 1940s.

Ms Woodsworth: The 1940s. We need to replace those summer cottages with something more permanent, but we're having trouble trying to move that forward.

Finally, we have been working with educational partners, industry and three levels of government to strengthen the mining cluster in Sudbury and, in particular for us, to develop plans for a national research centre for mining innovation on the Laurentian campus.

The province has created the Ontario Mineral Industry Cluster Council, known as OMICC, to oversee the project. That's great, and we've made a lot of progress around the planning of this, but we still are looking forward to the necessary financial investment that we will need to move this forward. We will be looking to the federal government and the municipal government for support as well, but the province has been leading this initiative, and we're hoping for results in that area, because we believe that, once again, we've got a role to play in the prosperity of the region and of the province, particularly in the area of mining.

That concludes my remarks, Mr Chair.

The Chair: Thank you. We'll move to questions now.

Mr Colle: Mr Wilkinson, go ahead.

Mr Wilkinson: First of all, on behalf of all members of the committee, thank you so much for coming in just a bit earlier than scheduled to help accommodate us in our travel plans today. We appreciate that. I found your presentation to be very interesting.

The bigger question here is the gap. You were saying about \$850 million. Everyone is waiting for the Rae report. The provincial government is in a situation where we're trying to dig our way out of debt. I think maybe this year we're projecting just over \$2 billion, and that's without \$850 million extra for post-secondary. I think it took a few years to get into it; it's probably going to take a few years to get out. I think Minister Chambers was right to ask Bob Rae, the former Premier, to help us map out a way to get to the goal of the Premier, as he stated so many times.

There are two questions I'd like you to comment on. One is whether you see part of the solution being an increasing contribution from the federal government,

which as we all know is running substantial surpluses, in regard to building up the economic infrastructure of our country and whether they should be taking a role.

The other thing is the concept, of course, that education is an investment. There are those who say that we educate and then some of that human capital leaves Ontario, leaves Canada and goes to other jurisdictions—whether we should be innovative in the sense of tying the support we give to service back to the community; obviously people pay taxes, but the idea that there's an obligation of the investment made by our society in young people and making sure that the benefits are reaped here for those of us who are making that investment.

Ms Woodsworth: Those are two questions that are hard for us to answer. I think our expectation is not that the government will give us \$850 million the first year. We realize this is very gradual.

Mr Wilkinson: We appreciate that.

Ms Woodsworth: On the question of should the federal government invest more, certainly we realize that we're in this situation—the universities are—because of a cut in transfer payments. But it's not up to us really, apart from our lobbying efforts, which of course we have been doing at the national level; it's up to the two governments to work it out. But we have been lobbying for that; it's part of our strategy.

Yes, I think people should have an obligation to stay in the place where they've been educated. I don't know how you could enforce that, but I would add that if you have very good institutions, you might be able to keep people here more. There are people in our field, in the education field, leaving the province to go elsewhere or to go the United States because they have more favourable working conditions.

Mr Wilkinson: As a follow-up, I think that part of the work being done by Mr Rae, and also from some of the other presentations we've received from other parts of post-secondary—the students and colleges—is the ability to have a more holistic approach in regard to transferability of credits so that we can have people getting practical skills but also the theoretical skills and the research skills to move these files forward. What's Laurentian's official opinion about that whole idea?

Ms Woodsworth: Thank you very much for bringing that up. We didn't include that in our presentation because it doesn't have immediate financial implications for your committee on finance, but it is an excellent question. We have always been extremely collaborative. To give you an idea, I call Laurentian the university of Ontario because we collaborate with Lakehead, with the medical school. We have collaborative agreements with Northern College in Timmins, Sault College in Sault Ste Marie, and Cambrian and Boreal in Sudbury. We have agreements with Georgian College. We run a whole program in Barrie in co-operation with Georgian College; we have about 500 or 600 students now studying in Barrie. We have students studying in Orillia, and we've recently signed an agreement with St Lawrence College for its Kingston, Brockville and Cornwall campuses. So

we go all the way from Thunder Bay to Cornwall, and as far north as Hearst, where we have an affiliate. We are right around the province and we really believe that's the best way of doing things, that we can best promote accessibility and streamlining of the system by being collaborative and working with other institutions.

Mr O'Toole: Is that done by distance learning?

Ms Woodsworth: Yes. It's quite complex. Some of it is by e-learning, some of it is by hiring people who work in those areas. But they are under our supervision.

Mr O'Toole: Right, your course evaluations.

The Chair: Thank you for your presentation this morning.

Ms Woodsworth: Thank you very much. I do have copies for the committee. I've brought copies.

The Chair: Very good. The clerk will give them to the committee members.

Mr Barrett: On a point of order, Mr Chair: I wish to move a motion that in part extends from this presentation and a previous presentation with respect to the projection of a decline of 100,000 people in northern Ontario over the next 25 years.

My motion reads: Given that by the year 2031 the north may contain only 2.14% of Ontario's population, reflecting this continued economic decline, I move, with respect to this projected economic decline, that the province of Ontario initiate further university research as

well as in-the-field community development and economic development by northern post-secondary institutions across the north.

The Chair: Very good. Would you give a copy of that to the clerk.

Mr O'Toole: I move that this committee request that the Ministry of Finance provide an update on the new assessment tax on recreational vehicles, often referred to as the trailer tax.

Committee members may recall that this same issue was brought to this committee last year in Niagara Falls by Mr Gary Bruno, representing the Sherkston Shores campground. At that time, there was a resolution and commitment by the Ministry of Finance to examine the "tag sticker fee solution." MPP Mike Colle, PA to the Minister of Finance, was assigned the task of resolving the issue. Mr Roger Faulkner has brought together an industry coalition to find consensus and find an industry solution.

I would request an update on the status of that, prior to our entertaining hearings next week. I submit that to the clerk.

The Chair: Thank you. If you would give that to the researcher, I'd appreciate it.

This meeting is adjourned.

The committee adjourned at 1229.

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**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires



Chair: Pat Hoy
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 12 January 2005

Mercredi 12 janvier 2005

The committee met at 0905 in Ottawa Marriott, Ottawa.

PRE-BUDGET CONSULTATIONS
RIDEAU VALLEY
CONSERVATION AUTHORITY

The Chair (Mr Hoy): The standing committee on finance and economic affairs will now come to order. The committee is pleased to be in Ottawa this morning and for part of this afternoon to hear from the good folks of Ottawa and region. I would call on our first presenter, the Rideau Valley Conservation Authority, please.

Good morning, gentlemen. You have 10 minutes for your presentation. There will be five minutes for questioning at the end of that time. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr Dell Hallett: Thank you very much. We're very pleased to be here making a presentation to your committee this morning.

My name is Dell Hallett, and I'm the general manager of the Rideau Valley Conservation Authority. I'd also like to introduce our chairman, John Miller, who works as a beef farmer when he's not doing conservation authority business. He represents the municipality of Tay Valley, which is close to the town of Perth, up along Highway 7.

Our organization is a partnership of 18 municipalities. Our area of jurisdiction is the watershed of one of Canada's heritage rivers, the Rideau. The river connects communities from lake country up in Central Frontenac township, with farmlands between Smiths Falls and Kemptville, before it ends its travel in downtown Ottawa. It presents a unique blend of conservation challenges and opportunities, which our municipalities embrace to ensure that a clean, healthy and safe watershed will be enjoyed by future generations.

We are one of 36 conservation authorities across the province, and together we serve 90% of the population across Ontario. We're very proud to deliver practical solutions to natural resource problems on a watershed basis: the best and globally accepted approach to cost-effective water management.

We'd like to take the opportunity to acknowledge recent and, I think, significant investments made by the provincial government in watershed management. These

include \$12.5 million for conservation authorities to prepare for source protection planning, \$5 million of matching money to repair and replace aging flood and erosion control infrastructure, and the recognition that community conservation lands should be a part of the conservation land tax incentive program.

These investments are important to Ontarians and will help us safeguard drinking water supplies and public health; protect lives and property from flooding and erosion; and make it easier to conserve lands of natural significance. All of these are greatly appreciated and will have a real impact here in the Rideau Valley and help us achieve that clean, healthy and safe Rideau. All of this is in addition to the \$298 million to be invested in the Canada-Ontario municipal rural infrastructure fund.

Not many years ago, conservation authorities were a partnership not only between the municipalities and a watershed, which recognized the value of working together to solve watershed problems, but also the province, which recognized that one of the best ways to achieve benefit on matters of provincial interest was to support local people in solving these same problems. This provincial support was measured in terms of \$40 million to \$50 million of matching funding to conservation authorities for much of our watershed management work.

Today, the province contributes \$7.6 million of annual funding to conservation authorities through the Ministry of Natural Resources so that we may undertake provincially delegated responsibilities. These responsibilities include operation and maintenance of flood and erosion control structures, flood forecasting and warning operations, ice management, municipal plan input, technical studies, and administration. These are basic operations that any professional watershed management agency must engage in to address flood and erosion concerns.

The \$7.6 million shared by the 36 CAs was intended to be sufficient to undertake these programs of provincial interest on a 50-50 cost-sharing basis. This commitment is expressed in MNR policy and procedures documents for conservation authorities. In 2005, we're not close to the 50-50 cost share. There is an ongoing and significant shortfall in the provincial share of funding.

0910

The highest profile program in our area that is affected by this is the annual Rideau River ice management operations. This program involves breaking up a sheet of

ice by a number of techniques, and then the loose ice is basically flushed over the Rideau Falls into the Ottawa River by manipulating water flows in the Rideau River. This reduces the possibility of ice-jam-related flooding in long-established neighbourhoods in the urban part of Ottawa. If this program was not done, thousands of residents would be at risk and millions of dollars of property damage sustained.

The 10-year average cost of the ice operations is approximately \$486,000; however, the annual funding by the province is \$120,000. While it's appreciated, it represents only 25% of the cost, not 50%. Other provincially mandated programs of a smaller scale within our operation are similarly impacted.

Last year, the 36 conservation authorities prepared a report entitled *Reinvestment in Ontario's Conservation Authorities—Now and in the Future*. It was submitted by Conservation Ontario to the Minister of Natural Resources. The report looks at the 2002 audited statements of all conservation authorities and examines the amount and type of shortfall.

The report also calls for the reinstatement of funding for activities of provincial interest for which CAs no longer receive funding. These include municipal plan review; the Conservation Authorities Act section 28 regulation of development, interference with wetlands and alterations to waterways; and shoreline management along the Great Lakes. I'd like to talk about the first two.

Conservation authorities review zoning bylaws, minor variance applications, plans of subdivision, severances and site plan applications. Conservation authorities have been delegated responsibility to act as the lead in matters related to natural hazards, including flooding and development adjacent to unstable slopes and lands.

A memorandum of understanding between the conservation authorities and the Ministry of Municipal Affairs, as well as MNR, outlines how responsibilities associated with implementation of the provincial policy statement will be addressed. This means that CAs act on behalf of the province and provide the sole comment on these site-specific applications from a flood control and hazard land point of view.

Plan review is the most powerful and effective non-structural flood and erosion damage prevention measure that can be implemented. It ensures consistent implementation of provincial policy for the protection of life and property. Also, plan review, being preventive in nature, is the single most important tool in minimizing the need for future capital investment in infrastructure.

Conservation authorities administer a flood plain and hazard land regulation for the province. Approval of a new regulation by the province in 2004 confirms its relevance and importance in watershed management. Administering this regulation puts CAs in the forefront, preventing inappropriate development and saving lives; preventing property damage; and reducing future government expenditures for capital projects and disaster relief. Currently, it is the only tool at the government's disposal that proactively works to protect grade changes and filling in provincially significant wetlands.

Both of these programs are funded by a combination of user fees and municipal levies, and we have reached our capacity to generate additional revenues. With a very small staff, we struggle to meet deadlines for comments in plan review and we share our one regulations enforcement staff person with a neighbouring conservation authority to cut costs, but we cannot keep up with the workload. I think it's fairly obvious that being able to enforce the regulation is an integral part of maintaining integrity and credibility.

In summary, Conservation Ontario's report, *Reinvestment in Ontario's Conservation Authorities—Now and in the Future*, shows that there is a \$13.8-million provincial shortfall for provincially mandated work that CAs do. We want you to know that we are very committed to watershed management and providing top-notch service to the people of Ontario. This commitment can be measured at the local level. The RVCA municipalities understand the economic, social and environmental importance of watershed management. In 2002, they agreed to double their levy support to the Rideau Valley Conservation Authority over three years. Our municipalities are definitely doing their part in tough financial times. I might also mention that all of our municipalities have supported our submission to the Minister of Natural Resources by way of council resolution.

A return to fair transfer payment funding levels will enable us to further exercise our commitment in full partnership with the province of Ontario. The RVCA and all other conservation authorities across the province respectfully ask that the 2005 budget address the shortfalls identified by increasing the provincial transfer payments for mandated programs of provincial interest to \$21.4 million. I'd like to thank you for your consideration.

The Chair: We'll begin this morning's questioning with the official opposition.

Mr Toby Barrett (Haldimand-Norfolk-Brant): I'd like to thank the Rideau Valley for your presentation. You indicate that conservation authorities traditionally take the lead on flood control and hazard land issues. As you've mentioned, all conservation authorities have recently received \$12.5 million for source water protection planning. Do you see conservation authorities as taking the lead on implementing source water protection? We don't have the legislation yet. It was promised last year, and I expect we will see the legislation this year.

Mr Hallett: I see conservation authorities taking the lead in terms of facilitating the planning work that needs to be done for source protection. In terms of implementation, I think there is going to be a wide range of people and organizations involved. Certainly the municipalities will be involved in large measure with implementation. I think there are some things on a watershed basis that it makes sense for conservation authorities to implement, but I think implementation will be a concerted effort by a number of different groups, agencies and individuals. In our watershed, we have well over

100,000 people on private wells and septic systems, so they will be an important part of source protection planning and implementation as well.

Mr Barrett: I just wondered, have you had much feedback—I know I deal with cattlemen in my riding—as far as anticipated costs of source water protection? We've certainly gone through a number of years of discussions on nutrient management, which also has now been taken over by the Ministry of the Environment. Any thoughts on that?

Mr John Miller: I just came back from some farm meetings in the past couple of days and the resolutions going forth from them are, "Please hold back on nutrient management and let us know what resources you're providing to us to handle source protection," recognizing that there are definite areas where source protection needs to be addressed immediately.

Mr Barrett: Obviously cattlemen can't do it on their own. We found that out with nutrient management.

Mr John O'Toole (Durham): Just following up on source water protection, I couldn't agree more that it's probably an important and necessary initiative which is not new just in the last year. It certainly was reviewed when we were the government. Have you any idea, among the professionals in the conservation authorities, what the real costs are, not just for the Rideau Valley group but for the other authorities as well? It's my understanding that it's a considerable number, in the billions of dollars, to do the mapping and all the other aquifer stuff. It's a lot. Have you any idea? Have the authorities talked about that at their overall organizational meetings? The number you're talking about is \$12 million or something.

Mr Hallett: I think \$12 million is—

Mr O'Toole: It's purely a start. That's the paperwork.

Mr Hallett: Right, to get started with source protection planning. I think we would see similar investments over the next two or three years to get the plans done. I don't have a good estimate of the total cost of source protection planning.

Mr O'Toole: In your own area, have you any idea—

Mr Hallett: I think we have to go through and do the planning exercise first before we have a good handle on the cost.

Mr O'Toole: Yes, to do some cost estimates on what the implementation would involve.

Mr Hallett: That's correct.

Mr O'Toole: And you're right: There's another drinking water regulation that's causing some problems for small communities as well. Are you involved in that? It's regulation 170/03. That's the one that's related to source water protection. It's a drinking water regulation. Are you familiar with that one?

Mr Hallett: No, we're not.

Mr O'Toole: You're not involved in that at all?

The Chair: Thank you for your presentation this morning.

0920

ALGONQUIN COLLEGE

The Chair: I would call on Algonquin College to please come forward. Good morning. You have 10 minutes for your presentation, and there will be five minutes for questioning. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr Robert Gillett: I'm Bob Gillett, president of Algonquin College, and with me is Bob Letourneau, vice-president of finance and administration. We thank you for the opportunity to make this presentation. I'm sure you're going to hear much from the post-secondary world during your consultations.

We recognize that you've got a study of post-secondary education going on. You will be receiving submissions from ACAATO representing the general college point of view, but we thought this morning we'd like to share our concerns from a local college point of view, some of the impacts of your decisions both now and in the future, recognizing that there have been four studies done in the past year, all sharing the concern that Ontario still is the lowest post-secondary funder in Canada and the third-lowest in North America.

I've asked Bob Letourneau, our new finance vice-president, because he comes from a municipal and federal point of view, so he brings new eyes to the equation. We'd like to share that presentation with you this morning.

Mr Robert Letourneau: It is a pleasure to have the opportunity to speak with you. I guess I do need to comment on Mr Gillett's discussion about my background. I do bring a different set of eyes, so it may be a little different than what you've heard from the college sector before.

I've been with the college, I guess, about 10 months now. The background I bring is private sector, municipal and some federal. I must say, in my analysis in the last several months, this is the toughest and most challenging funding system I've ever seen. The efforts that I've run into to reduce costs and to streamline are extremely impressive, so I will say that as an opener.

We do support ACAATO's position, which you will be hearing more about as time goes on. They'll be making a submission to this committee; I believe it's in about a week or so. We are fully aware of the kinds of things that have been tabled so far, as Mr Gillett has indicated. Our submission is designed not to duplicate that but to supplement those positions you'll be hearing about.

There are three areas I'd like to touch on. One is the uniqueness of colleges, another is the need to create the skilled labour force of the future, and, of course, a few comments on financing colleges.

Firstly, colleges really, in my view, are quite unique and require greater funding than universities. The reasons for that are that we run in a whole different environment. We run with smaller class sizes. We are dealing with

applied learning that requires more intensive labs, more equipment per student. We're more geographically distributed, often serving smaller communities, which increases per student resource requirements. We use full-time faculty more and fewer teaching assistants, and that increases our staffing costs. There's a tremendous diversity in our programming because we are addressing so many community needs, particularly in the continuing education area.

We also serve a different socio-economic group of students who require financial support. About 75% of our students currently access support programs and need that assistance. One of the difficult parts of the funding model is that since a baseline of several years ago, for every new student we get, 30% of the tuition fee has to be set aside to help the students financially, which doesn't give any money to run the college and the programs. We're really serving a social policy out of our tuition fees, and that's extremely challenging because we don't get the full value of the fees.

I'll mention the issue of the skilled labour force. We need to create a skilled labour force; it's our mandate for the future of the economy. You'll hear many submissions to come on the incredible importance of achieving that and meeting a lot of the goals of all of society and certainly those that are identified in the province. Quality in our programming and quality of delivery is essential to being relevant to our students and to our employers, so we have to do a good job. We're certainly prepared to focus on the classroom and our core mandates, which we do, but if we don't do a good job, we won't be serving society properly.

On the financing side, I've mentioned the incredible challenges, and I'll try to touch on a few key points in that. We've gone through 15 years, fundamentally, of declining financing, and the grant area has been reduced by 30%. We see the control of tuition fees, so aside from some of the tuition fees having to be set aside to help students with their financing, not to finance the college, we also see our tuition fees controlled. With our key funding sources being grants and tuition fees—one going down and one controlled—it gives us a tremendous challenge and difficulty in financing the organization.

We are not financing inflation pressures. Every year, we have inflation pressures. There are staff agreement and union agreement costs that are flowing through, materials and supplies go up, utilities go up, and there's no funding to offset those increases. So each year when we shrink our budgets, we end up putting less commitment to our infrastructure, reducing our capital budgets and squeezing down the costs of programs. We have less buying power every year. As Mr Gillett pointed out in his opening, Ontario colleges are the lowest funded in Canada. Frankly, that must be restored to at least the national average.

There's a different process that we used this year to look at all of our future costs and to try to build some better planning into the system.

One of the areas that we addressed in detail is our capital needs. We decided to do a five-year budget. I'm

under advisement that the provincial government would like to see all bodies that it supports do five-year plans, so we began to do that. Over the next five years, Algonquin College has identified that it requires \$174 million of projects. Those are everything from deferred maintenance—that's about \$45 million of that, and so far that's all that has been registered with the province. But we need administrative equipment upgrades. We need a tremendous investment in information technology upgrading and renewal. We have instructional equipment renewal required in the classroom. We have curriculum program development updates and new development and, of course, renovations, let alone new projects to deal with expansion.

That pressure averages out to about \$35 million a year. Currently, all we have capacity for is \$6 million in capital financing, so it's pretty easy to equate that we've got a problem and that we're not addressing the needs of the organization and the community. There are no guarantees of the level of future funding, so you can start to see the dilemma.

Without addressing that issue whatsoever, in projecting our needs for the fiscal year 2005-06, which starts April 1, our current budget shortfall is \$8.5 million. Believe me, with my experience in public finance, there's no exaggeration here. The reference levels are a serious, serious problem, and by not dealing with them, we're eroding the limited resource base that we currently have.

Another incredible challenge we have is that the provincial grant, the general operating grant, has a five-year lag before it's fully phased in. We're encouraged to grow, and as we grow, we don't see the full value of the support grant for the student for five years. The cost to support that new student is beginning at year one, so you can see the dilemma in the formula. This has crept in over the years. There's a provincial mandate for growth, yet we can't create additional space without additional funding. So the pressures are really very substantial.

The Chair: You have about a minute left in your presentation.

Mr Letourneau: OK. We also have added challenges in supporting two rural communities that need to be rebuilt.

I'll jump down to the issue of how a high turnover rate is expected in retirements over the next several years. We'll be competing for qualified staff. We must invest in recruitment and professional development and make sure that we don't lose the corporate knowledge and intellectual property that currently exist.

As I said, we support ACAATO. We strongly hope the Rae commission recommendations will be profound to the system and that the government then responds with an implementation of those recommendations.

The Chair: Thank you. Our questioning will now go to the NDP.

Mr Michael Prue (Beaches-East York): I have a couple of questions if we can fit them all in.

You talked about controlled tuition fees. From that, I take it that you mean the freezing of the tuition fees on

post-secondary education done by the government in the last year. Are you suggesting that the freeze be lifted?

Mr Letourneau: There are going to be many parts to a solution, but part of the solution is that the freeze needs to be lifted and there has to be more recognition of the increased costs of doing business.

I think Mr Gillett would like to comment as well.

Mr Gillett: It goes beyond that: Deregulated programs are also capped. So if we want to expand into new areas, even if there's a demand for that area, we are capped at 15% of our total program. That's not rational in the way this world is developing. So there are many caps and many ceilings that we can't go beyond, even if the demand exists in the community.

0930

Mr Prue: We have heard from students, and they don't think the freezing of the tuition went far enough. Quite frankly, all of the student groups think they should be rolled back, that they should be paying less.

Mr Gillett: There's certainly no question that the students would like to pay less or pay nothing at all. That's not realistic in today's world.

Mr Prue: The next question is related to the monies. Our calculations show it would require about another \$600 million per year, more than what the government is spending now, to move Ontario's universities and colleges to the mean, or average, in Canada. That's more money than the finance minister says he's going to increase the entire budget of Ontario for this year. Are you suggesting that this be the program?

Mr Gillett: I'd love to suggest that it would be the program, but I think you know from our original submissions that this was to be a five-year phase-in; it wasn't to happen all at once. The fact is that Ontario is still the most prosperous economy of them all. For us not to be competing with our colleagues in Canada sets you up for a labour issue that's probably going to be worse than that \$600-million issue.

Mr Prue: The next question has to do with immigrant populations. I'm from the Toronto area, and we are seeing George Brown College, Centennial College, some of those colleges, really reaching out to the new immigrant community so that people can get the skills and abilities, Canadian experience—co-op programs, things like that. How much of that is happening at Algonquin College or here in Ottawa?

Mr Gillett: It's quite significant. We have 74 language groups in the college right now, but we're also moving to recertification of immigrants; 61% are coming in with degrees or diplomas right now. They need to get re-skilled to be employed in our community. We have a major nursing project. We think that's going to be the real growth area for allowing these people to participate in this economy.

Mr Prue: So if the government didn't have money in education but somehow found money around immigrant and immigration issues, because we're expecting that soon, would this be a natural place to channel it into the colleges?

Mr Gillett: I think so, because for every professional, like a doctor, we do five paraprofessionals, and, right now, the nursing one. All of those people will be instantly employed as soon as they can be certified in this province.

Mr Prue: Do I have more time?

The Chair: Yes, two minutes.

Mr Prue: Good. Wow. I have lots of stuff here.

You made a compelling case for colleges getting more money than universities, but of course the opposite has been true and probably will continue to be true, I hate to tell you. Why is it that past governments, and I suppose this government as well, put much more money into university programs than college programs? We seem to underfund colleges, in my view, a lot. Even on the floor, I don't understand this.

Mr Gillett: From an optics point of view—and I've been in all three sectors—universities are well understood by the population; they've got a 1,000-year history. Colleges have a 37-year history. I would suggest that the majority of the population doesn't even know what a college does. Therefore, there has been a relative channelling of funds. The research agenda has played out for a lot of funding issues for universities, but if you look at where growth is happening and if you look at socio-economic issues, right now only 40% of your high school students are going on to get a diploma or a degree. We have 30,000 applications; we take 7,000. If you want those people to get re-skilled and into your economy, you're going to have to fund colleges in a way that allows them to take the applicants who want to get that education. Not everybody can take a university education. It's not appropriate for everybody to have a university education. But as long as you keep that delta, then you're going to disenfranchise a whole group of our society.

The Chair: Thank you for your presentation this morning.

ROYAL OTTAWA HEALTH CARE GROUP

The Chair: I call on the Royal Ottawa Health Care Group to come forward, please. Good morning. You have 10 minutes for your presentation. There could be five minutes for questioning at the end of that. I would ask you to identify yourself for the purposes of Hansard.

Mr Bruce Swan: Good morning. My name is Bruce Swan, and I'm the president and chief executive officer of the Royal Ottawa Health Care Group.

The Royal Ottawa Health Care Group is a tertiary-level health care organization serving the most complex persons with mental illness. The Royal Ottawa operates the Royal Ottawa Hospital, the Brockville Psychiatric Hospital, the Royal Ottawa Place, the secure treatment unit in Brockville and the University of Ottawa Institute of Mental Health Research.

Some compelling facts about mental health: One cannot separate physical well-being from mental well-being. Mental health pervades all health areas like cancer, cardiac disease and chronic illness. We're part of

serving those people who are afflicted with those diagnoses. One in four Ontario inmates has a mental health diagnosis; 65% of the homeless in Ontario have a mental health diagnosis; only one in eight children in Ontario who need mental health treatment actually gets it.

Depression is the leading cause of disability in the world, and this is noted by the World Health Organization. In Canada, the cost of depression to our economy is \$12 billion annually. There are 100,000 people in Ontario who are faced with schizophrenia, and that relates to 7,000 in the city of Ottawa.

I'd like to speak briefly about the new Royal Ottawa Hospital. The new Royal Ottawa Hospital is scheduled to open in January 2007 and will represent a fully integrated, functional mental health system that is client- and patient-focused. It will be a world leader in mental health research, education and service delivery. It will also be an integral part of a continuum of mental health services involving multiple partners, consisting of community organizations and the community hospitals that would refer to the Royal Ottawa Hospital. We are committed to working collaboratively with other health service providers in the Champlain region to continue to develop and further integrate mental health within the broader health sector.

Based on what we know today, the Royal Ottawa Hospital is underfunded by \$7.6 million on a \$37.5-million global budget. When the new hospital opens in 24 months, this funding gap will grow to \$32 million. Part of the reason for that is the shift in the role of the Royal Ottawa Hospital, moving from an acute care hospital to a tertiary-level teaching hospital.

As we further integrate with our partners, our goals are to realize more efficiencies and opportunities, invest our resources strategically, increase system capacity, reduce wait times and reduce the burden of mental health on the entire health system.

The determinants of health that affect the health status of people living with a mental health diagnosis are income, housing, employment and education. The Royal Ottawa Hospital's specialized psychiatric teams provide outreach to the homeless, to the elderly, to the schizophrenia population and to children and youth.

I'd like to speak a moment now about funding. A strong community infrastructure needs to be funded so the mental health system can work. Funding needs to address the shortage of housing and poverty associated with mental health diagnoses to support an integrated mental health system that operates across the continuum of care and service and addresses health prevention and promotion, early intervention, and crisis management. This is a shift in how we have provided service in the past in that we work collaboratively with the other health care providers.

That is the focus of my presentation. I wish to thank you for the opportunity to address you this morning.

0940

The Chair: We'll move the questioning to the government.

Mr Richard Patten (Ottawa Centre): Good morning. Let me first welcome the committee to Ottawa, and to Ottawa Centre in particular. This is the riding I represent. I would also like to welcome Mr Swan, who is new to Ottawa as well, in his new responsibilities, which are quite daunting. The hospital in its present site is in my riding. I know it well, and I know the challenges they face.

I would like to ask you: You say in your presentation that there's already a gap, and I appreciate what that is and I know the pressures from the Ministry of Health on the hospital to actually make some changes prior to the new facilities you will have. But I would like it if you'd elaborate somewhat on, and whether you feel you have the resources sufficient to deal with, the transitional phase. You're moving from an older facility, which is quite archaic and could be the site of a horror movie because parts of it are related to what was once a tuberculosis sanatorium, and I know that the traffic flow and the development of the hospital over time was just a patchwork of facilities. But I wonder if you could elaborate on (1) the transition phase, and (2), what your new facility will enable you to do that you're not able to do now, and how that relates to your funding.

Mr Swan: As of today, the shortfall is \$7.6 million just for the Royal Ottawa Hospital site, and that's made up primarily of a shortfall in funding base over the last number of years. As you know how budgets go, if you continue to be underfunded and yet the demand for service is still there, and you're still trying to meet that demand, there is a shortfall. In this particular case we're experiencing, this year to date, \$7.6 million just for the Royal Ottawa Hospital site.

The new Royal Ottawa Hospital is shifting from an acute care hospital to a tertiary-level mental health facility, and the difference is significant: That is the \$32 million in the future that we'd be looking at in 2007 in order to fully operate that hospital. The new hospital, as I mentioned, is tertiary-level, which means it is functioning with the most complex mental health cases in the health care system. When I say they're the most complex they're the ones that require the academic research and learning that is used at the University of Ottawa. So it's an integral part of the development of a future health care organization that's going to be in the lead not only provincially but also nationally and internationally when it comes to education and research. That is one of the goals the Royal Ottawa Health Care Group has. In moving forward, the actual construction plan has been approved but the operating budget for the new Royal Ottawa Hospital has not yet been negotiated and approved. In a nutshell, that is where we're at, at this stage.

The Chair: Thank you for your presentation this morning.

OTTAWA HOSPITAL

The Chair: I call on the Ottawa Hospital to please come forward. Good morning. You have 10 minutes for

your presentation, and there could be up to five minutes for the presentation. I would ask you to identify yourself for the purposes of Hansard.

Mr Richard Wilson: I'm Richard Wilson. I'm the vice-president of finance and business development at the Ottawa Hospital. Thank you very much for allowing me to speak on issues related to our hospital and to hospitals in general. My comments will supplement written submissions by the Ontario Hospital Association and the council for academic teaching hospitals in the province.

The Ottawa Hospital, for those who may not know, is the largest teaching hospital in Ontario. We have six facilities operating on three campuses here in Ottawa. We're an academic health science centre affiliated with the University of Ottawa, and we have an operating budget of approximately \$800 million.

The issues I want to talk about today—and I'll try to do it without whining for money; I do have an appreciation, and we do know, that we are the lion's share of the provincial budget. The issues I'd like to just touch on are (1) adequate resources to provide the patient care services that are being demanded, (2) if those resources aren't available, clear direction in terms of service delivery expectations, (3) working capital issues, and (4) capital renewal. I'll just touch on these four issues in the few minutes that I have.

Number one, adequate resources to provide the patient care services being demanded: The Ottawa Hospital has been very diligent in living within its resources over the last few years. We have gone through operational reviews since the date of merger in 1998 to create the Ottawa Hospital. We now have a reputation in the province of being a low-cost provider of acute care services amongst our peers; that is, the academic health science centres. Unfortunately, we also have the stigma of being the lowest funded teaching hospital amongst our peers. Just to give you an example, a majority of our peers get 83% of their costs covered by the province of Ontario; in our case, we get 77% of our costs covered by the province.

The Ottawa Hospital is projecting a \$20-million deficit for 2004-05 and a \$45-million deficit for 2005-06. On \$45 million, it would take about a 9% funding increase to balance our budget. This has been highlighted by the Ontario Hospital Association as well. The accumulated deficit of the hospitals, the projection going forward for 2004-05—just for this year—is in the \$500-million- to \$600-million range, just to set the context.

The question is, why do hospitals require 9% funding in 2005-06? I'll cover this year. Why do we have a \$20-million deficit? The reason this year is that we received 1.8% in funding and yet our costs are going up in the 5% to 7% range. Health care inflation is not the same as national inflation. Seventy-five per cent of our costs are in wages and benefits, and we've seen arbitration awards that are much greater than public sector, and certainly other private sector, settlements. Drug costs continue to rise at an alarming 8% to 10% annually. The teaching hospitals tend to be the first to benefit from that drug

investment, but they also have to incur the costs. The impact of SARS and other infectious diseases continues to put a strain on hospital resources. Clearly, 1.8% in funding won't cut it.

The arbitration awards, while I won't go into it any further, are certainly an area that impacts us that we have no control over. We try to do, as best we can, negotiating with all of our collective bargaining groups, but they tend to go to arbitration, and it's a process that I think is wrought with problems. We have to live with the outcomes of those arbitrations, and they're beyond our ability to pay.

That takes me, then, to the second point, realizing that if the province does not have the funds available—we can accept that—then certainly both clear and timely direction related to the level of service delivery expectations is required. We're strong supporters of the need for accountability, but it's hard to be accountable when you don't get adequate notice, in terms of going forward, to plan your year. Here we are, only two months short of the start of the fiscal year, and yet we don't know what resources are available or what our service delivery expectations will be for 2005-06. It makes it very difficult to plan. No business, I think, would plan without making some reasonable assumptions. But when you make those reasonable assumptions and try to live within the resources you have, it does require service adjustments, and we are told time and time again that service adjustments are not acceptable. Again, we accept that and move forward.

That would take me, then, to the third point, in that we're stuck. If it is the expectation that the province would want the hospitals to continue to hold, to not create deficits and provide the level of services that we have, that's fine. But there has to be an appreciation, then, as we continue to meet the service demands—and we will meet our payroll and other obligations—that our working capital deficits or the accumulated deficits of the hospitals will continue to climb.

At the Ottawa Hospital we're not proud of it, but we probably have the largest working capital deficit in the province, which is now approaching the \$200-million mark. The accumulated deficits of all the hospitals in the province, projected to March 2005, will be in excess, in my understanding, of \$2 billion. Again, we can appreciate that if the funds are not there, there has to be some process in terms of clear direction on how we deal with both the working capital and the annual deficit situation. Certainly, in leaving us with those working capital situations, the incentives to run our hospitals more efficiently and as a business just aren't there, so I would strongly encourage you to make the resources available to make that happen.

0950

It's not all bad news. The good news is that both the previous government and the current Minister of Health have allocated resources to address the working capital issue. There was \$721 million announced in the fall to be put forward. As you can see, based on my numbers,

though, that's just not enough. So I think some creative solutions will have to be accepted to be able to deal with the difference. If the funds aren't there on a one-time basis, there has to be some type of long-term solution around long-term debt that will be able to get us through that process.

The last item I wanted to touch on is capital renewal. We've been fortunate here at the Ottawa Hospital and have had approval of most of our projects going forward, but there are some projects, both at the hospital and throughout the entire industry, that have not got the required movement. I guess what we'd ask is that the government look past the short-term cash requirements. If you force hospitals to do a real business case over the length of those assets that we're talking about, you'll see that it makes a lot of business sense to invest in capital renewal of the hospitals in the province. This is not something—we would do this ourselves. We don't have the cash to buy houses, but we certainly invest in houses knowing that over the long term we will make those payments. So our concern is, again, that throwing resources toward old assets, whether it be equipment or facilities, in our case, just doesn't make sense over the long-term life of those assets. I certainly would strongly urge the government to look at other options in terms of allowing hospitals to proceed with the facility renewals that are required.

Those are my comments, Mr Chair.

The Chair: Thank you. This round of questioning will go to the official opposition. We'll begin with Mr O'Toole.

Mr O'Toole: Thank you very much for your presentation this morning; no surprises, really. You've stated pretty much what the OHA has been saying all along. It is a challenge. The growth, as you've described, on the operational side of hospitals is a pressure that's not new. I don't think it's solvable by this or any government under its current formula.

I am concerned, however, with the information that I'm getting—quite conflicting information, actually—with the new health tax, which is about \$2.5 billion to \$3 billion of new revenue annually as a tax source, and on top of that, the federal, the new health agreement, is probably close to \$1 billion, fully implemented. The pressures to the strategies—they've got another \$3 billion or \$4 billion that's probably earmarked for health care over the next three or four years. I did work in the Ministry of Health for two years as well, fortunately. I am aware of the working capital deficit. These are just loans or cash-flow issues, technically, but it is money you don't have.

I'm concerned too when they say they are going to create a new bunch of nursing jobs, stuff like that. Some 75% to 80% of your budget is wages. I think we're in for a collision, personally. I'm just going to ask for your response to it. The reason I say that, not in a negative way, is that in the budget they forecast 2% wage increases for nurses. That's not going to cut it. I'd just ask you to respond to that. That's what the budget has in

it: about 2% for nursing. It says, "We ask our public workers to exercise restraint"; I think those are the words. Yeah, right.

The negotiations are ongoing now with the nursing associations. What's your view of that and of the probability of success?

Mr Wilson: It would be difficult for me to presume the outcome of those negotiations, but as you have mentioned, the Ontario Nurses' Association contract expired March 31, 2004. They are in negotiations. If it ended up at 2%, that would be an improvement on the projected numbers that I gave you.

Mr O'Toole: What are you forecasting in your budget, which shows a deficit?

Mr Wilson: In the deficit number that I gave you for 2005-06, we've got 3%. I can tell you, though, the nurses are asking for much more than that.

Mr O'Toole: Oh, of course. It's 6%.

Mr Wilson: That's a huge issue for us. I can't presume the outcome, though. That's why I raise the arbitration process. It's most likely to end up in arbitration, and we will all have to live with the outcome of the arbitration.

Mr O'Toole: That's right. I guess the last thing they are sort of saying is, they're going to reduce waiting lists, which is one of the primary objectives of both the federal and provincial initiatives.

There's a requirement for balanced budgets now. With Bill 8, there's a requirement to have a working plan that shows a balanced budget. You're familiar with that, I'm sure. You've got a plan to eliminate the \$20-million and the accumulated \$45-million deficit that you related to us. It's the same at Lakeridge Health hospital, exactly the same numbers. They are going to reduce services and they are going to lay off nurses. What is your plan for Ottawa to balance your budget? Does it include laying off nurses and reducing services? I'm not blaming you.

Mr Wilson: Within the \$45 million, for us to be able to balance our budget—

Mr O'Toole: Which you're required to do.

Mr Wilson: —which we're required to do—we have submitted a balanced-budget plan which would require a reduction in services and employees.

Mr O'Toole: How many nurses would you be reducing?

Mr Wilson: We estimate, at this point, about 300.

Mr O'Toole: It's about the same in my hospital. So isn't there bad information getting into the media on this?

Mr Wilson: To be fair to the Minister of Health, at this point he has not accepted our plan; that's the good news. The bad news is, we don't have an alternative solution at this point. But the plan has not been accepted, so we continue to negotiate and work with the ministry to come up with a plan. Our concerns are, of course, that we have only two months before the start of the year and most of these collective agreements have at least six months' notice if we are going to make any changes at all to the level of staffing or service delivery.

Mr O'Toole: To give notice of layoffs—

Mr Wilson: To employees. So very quickly, we run out of room to be able to balance. To essentially cut \$40 million—\$5 million on an annual basis—you're going to have to dig deeper to get it all done and still meet the needs of Bill 8.

Mr O'Toole: I appreciate your commitment to health care. It's an important topic. I just don't know how we can sustain it under the current mechanisms; I really don't. I did two years of work on it. I'm not as trained as you are, but listening to all the professionals, at 15% annual growth, whether it's in drugs or settlements, it's not sustainable.

Mr Wilson: I agree.

The Chair: Thank you for your presentation this morning.

OTTAWA CENTRE FOR RESEARCH AND INNOVATION

The Chair: I would ask the Ottawa Centre for Research and Innovation to please come forward. Good morning.

Mr Jeffrey Dale: Good morning. How are you?

The Chair: I'm fine, thank you. You have 10 minutes for your presentation. There will be five minutes for questioning. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr Dale: My name is Jeffrey Dale, and I'm the president and CEO of the Ottawa Centre for Research and Innovation. We are the economic development corporation for the city of Ottawa, and we're also the technology association for the city. We represent over 600 members. These members include both the private sector as well as government, public sector agencies, all of our educational institutes within the Ottawa area and our research centres as well. With those 600 members, we represent over 100,000 people within those companies. So we're very pleased to be here today.

First off, let me say that I apologize because the brief that I gave to you is hot off the press. I took as many copies as were available at 9:30. There are more that will be here momentarily, so I would ask if you could share this. I do apologize for not having this to you in advance. Once again, thank you for the opportunity.

I'm going to take my time and talk to you mostly on the technology industry and on what we think is needed within Ontario and within the Ontario budget to ensure that Ontario stays competitive in the technology field.

The information technology industry is a very important aspect of the Ontario economy. We have over 8,000 ICT companies in Ontario. They represent, I understand, close to 300,000 people who are employed and develop a significant component of the GDP for Ontario. Ottawa is also the second-largest city region, municipality, for GDP. We rely quite heavily on the ICT industry, because it has to be viewed as more than just one industry. It's an enabler of other industries. It is the information technology that's going into telecommuni-

cations, into the hospitals, into the automotive sector that will help to keep Ontario competitive over the long term.

I would like to focus, then, on some specific programs that we would like to see that will help to keep Ontario innovative and keep us competitive. At the beginning, what I would like to stress is that when we're looking at programs at the provincial and federal levels, we need to stop looking at industry-specific, region-specific, sector-specific types of programs and we need to take a look at programs that support innovation. We don't need more programs just for the automotive sector. What we'd like to see are programs that allow all industry sectors to participate.

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The perfect example of that is the scientific research and experimental development tax credit system. This is a federal and provincial program that has made significant contributions to keeping Ottawa companies, Ontario companies and Canadian companies competitive. However, while this program, when it was introduced, was one of the shining lights in the rest of the world in terms of innovative programs on tax credits, it has not been updated and modified as it has gone along. ITAC and CADA, two of the major national industry associations, have been speaking to both the federal and provincial governments across Canada to ensure that changes come about with this program.

We have corporations like Nortel, for example, that have over \$1 billion of unused tax credits; JDS Uniphase over \$100 million of tax credits; and Research in Motion with \$50 million of unused tax credits. This tax credit program is not providing the competitive advantage that we thought, that will keep these jobs here in Ontario. We therefore are recommending that the Ontario government work with the federal government to conduct a significant review of the SR&ED program, which is the Ontario innovation tax credit program, in 2005 so that changes can be implemented in 2006 that will make this program competitive again in the world landscape and will provide to our companies what we want to consider is a fair international competitive advantage.

In the short term I think there's an opportunity to review, though, the Ontario innovation tax credit system that we have. We have now fallen behind other jurisdictions. Residing so close to the Quebec border here, we do work in partnership with Gatineau; however, there are significant differences between the Gatineau SR&ED program and the Ontario program. While the Ontario program averages about 10%, the Quebec program averages about 17.5%. You can tell that this type of differentiation that happens does create competitiveness between provinces, which is what we do not want to see. We would rather see competitiveness on an international scale.

My next point is on commercialization. Commercialization, as we all know, is a buzzword within federal, provincial and local governments these days. It's the ability for us to stay innovative and competitive. What we are fostering here at the Ontario Centre for Research

and Innovation is that we need to take a look at how we are going to stay competitive from a market-pull position. Many of our programs on commercialization focus on technology: building a better mousetrap. We can build better mousetraps, and we have proven that in the past. But what we need to do is make sure that the world is ready for those mousetraps, and we need to make sure that they're market-ready.

What we would like to do, and our recommendation on commercialization is that, yes, it is extremely important that we maintain the pipeline for discovery-level research and that we support the increased funding levels for Ontario universities, colleges and hospitals for the Ontario research fund, and we applaud the government for announcing \$300 million that will go into that fund. We encourage you to continue with that fund and to also come out and ensure that you will be able to match CFI and CHRI grants in the future. You have not been able to say, I think, that you can match the future grants that are coming out there.

We would also like to see that you have increased grant programs that look at commercialization, that provide that bridge between pure research and how it can be leveraged within the private sector.

The Ontario government, in its last budget, announced the Ontario commercialization investment fund. However, we need to have clarification of the rules for how it can be allocated. Recently we had meetings with the Ontario Ministry of Economic Development and Trade and they could not tell us how that fund was going to be allocated. It has now been close to a year and we are still waiting for the rules by which we can use that fund—how municipalities, hospitals and universities can leverage that fund and how we are going to incent the private sector to also match those funding dollars.

The next point is on access to capital. To remain innovative, we also require a very strong investment culture here. At the beginning stages, we do have some of our research programs. However, governments can't fit the mandate for providing the necessary capital to help our economy grow. We need to take a look at the private sector.

Many of our companies rely on what we call angel investors in order to provide that first level of funding that allows them to be competitive. The National Angel Organization has worked for the past number of years and has come up with an innovation and productivity tax credit which is looking at providing qualified angel investors up to 30% of a tax credit on investments in eligible companies. They are working on the details. Our recommendation is that the Ontario government look to that program that's going on with the federal government and make sure the programs match so that angel investors from the rest of Canada, as well as Ontario, can participate in that program and ensure that their investment dollars will continue.

Canada and Ontario cannot be competitive unless we retain and increase the number of highly qualified people we have. We have talked in this brief about our skills challenge, and you can read that in there.

You have a very important point coming up: The Rae review is now coming up with some of its recommendations. I understand that they'll be presented to the government within the next number of weeks. Many studies have been done on the post-secondary education system over the past number of years; few have been implemented. We've had the opportunity at OCRI to work with our major partners—Nortel, Alcatel and 10 other companies—to put a submission to the Rae commission. We have met with the Rae review group, and we have outlined some of our recommendations in here. We know that Mr Rae will have recommendations that will ask for increased funding, increased access and increased accountability for our post-secondary education system, and we encourage you to set aside monies in your budget to implement these much-needed changes in our education system immediately.

The last note, on skills development: Ontario is still one of the few provinces that does not have a labour market development agreement with the federal government. You have announced in the past that you are working toward that. We need that agreement in place. We are missing out on many important federal government program dollars that could flow into Ontario to ensure that we can handle the post-employment stage of employees as they need to re-skill themselves as our economy is changing on a constant basis. I encourage the Ontario government to finalize that agreement so that much-needed dollars can start to flow.

The Chair: You have about a minute left.

Mr Dale: Thank you.

My points on broadband: Broadband is the infrastructure for the 21st century, and I would like the Ontario government to treat it as such. We must now consider broadband as one of the programs that will qualify under infrastructure investment so that municipalities can look at increasing their broadband activity both rurally and in the urban centres to ensure that they remain competitive. We've done a lot to build two-lane roads in terms of the wireless broadband infrastructure. It is now time for us to get into the high-speed broadband infrastructure that will drive our economy in the future.

The Premier has announced that one of his goals for next year is to help market Ontario. He wants to get out there and market Ontario and help our companies to become competitive on the international stage. We encourage you to look at the federal government program called CISP, the community investment support program, and create a program similar to that, with \$17 million per year. I say \$17 million because that's what Ontario Investment Service has as its annual budget. We think that money can best be spent if it is utilized in partnership with municipalities.

My final point is on Ontario corporate taxes, which you'll see on the last page of my document. In 2004, Bill 2 cancelled previously legislated corporate tax reductions that were otherwise supposed to be effective in 2004. We need to keep being competitive. You'll note that Roger Martin continues to release reports that say that the tax

burden on Ontario companies is causing us to have a productivity gap with our United States counterparts. Our recommendation in here is that you implement the corporate tax reductions that were previously announced to go from 14% to 12.5% for the general tax and from 12% to 11% for the manufacturing and processing tax. Thank you.

The Chair: This round of questioning will go to the NDP and Mr Prue.

Mr Prue: I'd like to comment. It was pretty rapid, and there's a lot of material here, but in the five minutes I've got—you said that the tax credits are not working. This came as a bit of a revelation to me: \$1 billion in tax credits for Nortel?

Mr Dale: Unused.

Mr Prue: Unused. Well, all of these tax credit programs that governments have put forward, you're right, obviously can't be working. But at the same time, here on your charts, the number of advanced technology companies in Ottawa continues to grow at quite a significant pace. So if that's not working, what is driving the increase in the number of advanced technology companies, which has gone up since 1993, at a little over 400, to nearly 1,600 today?

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Mr Dale: If you look at that graph, you'll see that there are two spikes in that graph in terms of the number of companies' growth. One is 1993-95. You'll remember that was when in Ottawa we had federal government reductions. What you're seeing here is a direct impact of corporate restructuring. The first one was with the federal government. The second one you see, in 2001, was when we had announcements of 35,000 layoffs within the technology sector in Ottawa.

So yes, there's been a large increase in the number of companies. Unfortunately, they are all at the very small stage right now. Many of the programs we're talking about in SR&ED can help those companies grow. The SR&ED system works quite well for Canadian-controlled private corporations—CCPCs—that have the ability to actually get a refund on their amount. Now, there is still a difference between various provincial jurisdictions on the amount of money that's available, on the percentages that are available to them as a refund.

When you go to become a publicly traded company, the tax credit rules change and it's now only a credit. When companies are restructuring right now, like we have with Nortel, and other companies that are growing fast and are reapplying all their earnings back into the growth mode, they're not generating a lot of tax owing in order to offset those credits. We're saying these companies right now have the ability to move these jobs anywhere. They can move them to India, to China, to Russia, to Brazil. What we want to do is to ensure that these very highly valuable research jobs remain in Canada, and therefore we must provide the incentives that keep them here.

Mr Prue: You talked as well about not liking the competition between provinces; you would prefer that

that be international. I have a bit of difficulty with that. Just as municipalities used to have competition between municipalities to get innovation, to show where one was doing it better so that another could do it, what's wrong with a little competition between Ontario and Quebec? I don't understand that.

Mr Dale: I'll give you an example. When we're trying to look at attracting a company from the United States, from Europe, from South America, to relocate and to invest in Canada, do we want them to come into a competitive nature and to say, "Who's going to give me the best tax regime? Who's going to give me better incentives to move to a certain jurisdiction?" We want to be on a more level playing field. That's what we're saying. We'd like the playing field to be level.

In the innovation area, in terms of when we're trying to attract research bodies to Ontario, very often we are asked to compare ourselves to Quebec because it's very close, especially on the eastern seaboard when you're talking to companies that are in the Boston, Washington, New York areas that are looking to invest. There's a significant difference between the Ontario SR&ED program and the Quebec SR&ED program. I would prefer not to have those discussions. I would prefer that we have a much more level playing field as we move forward.

Mr Prue: But given the provincial jurisdictions, it would be literally impossible for us to simply tell Quebec not to do what they're doing. All we can do is attempt to either match them or walk away.

Mr Dale: What I'm saying is that I think what we want to do is take a look overall at the general competitive nature of that program. Right now, we have a 7.5% difference between Ontario and Quebec. We have a 5% difference from Manitoba. Those are our bookend provinces on both sides of us, and we're lower than the two. Now, we do have other advantages, I do agree, but what I'm saying is that in the short term, we should be reviewing what the percentage is and whether it is competitive in relationship to all the other provinces out there.

The Chair: Thank you for your presentation this morning.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 25

The Chair: I call on the Ontario Secondary School Teachers' Federation, Ottawa-Carleton district, to please come forward.

Good morning. You have 10 minutes for your presentation. There would be up to five minutes for questioning. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Ms Susan Rab: Happy new year, and thanks very much for the opportunity to speak. My name is Susan Rab, and I'm the teachers' unit president of OSSTF in district 25, Ottawa-Carleton.

On behalf of secondary school teachers in Ottawa-Carleton, I'm pleased to make a submission. Members of

the education sector in Ontario listened very hopefully to news last year, and I remember being at a presentation very similar to this one. We heard that the education Premier and the Minister of Education were going to do great things for education in Ontario, and we waited for news.

I personally made my decision to become a teacher very early on, and the kids in the neighbourhood may or may not have been pleased about the lessons in the basement of our home while I worked on those skills. During the bulk of my teaching career, I worked under the previous government, and I felt that many of the efforts I made were unappreciated and unwanted.

When we heard there was a new government with a new mandate, many people within the education sector in Ottawa-Carleton and across Ontario were very excited. The Liberal Party made very significant promises to reinvest in education during the election campaign. In fact the New Democrats, the Conservatives and the Liberals all promised to revise the education funding formula and to implement the key recommendations of Mordechai Rozanski's task force in their election platforms.

While the deficit may not have been appropriately anticipated, the key financial problems in education were very clearly spelled out and ready to be systematically addressed. Last spring, we educators held our breath as the initial provincial budget statements were made and the first grants for student needs were announced. We weren't sure whether or not to be happy. There appeared to be increased funding in education, but none of the details had been laid out. Further announcements were made on an apparently ad hoc basis. We spent all of July sitting in the boardroom as parents, as teachers, as support workers and the staff of the school board, trying to argue how to put together the school board budget because announcements had been made late in the school year.

For whatever reasons, the Ontario government chose to ignore Dr Rozanski's number one recommendation. According to the Ministry of Education's own figures, and I've attached those to the end of my presentation, only \$22 million of the \$477 million required in 1997 dollars were allocated to the foundation grant. The foundation grant covers the essentials of student learning, including staffing—administrative, teaching and support staff—and textbooks and computers. The Ontario government fulfilled only 4.6% of Rozanski's 1997 requirements for the foundation grant.

Rozanski went further and said that we needed to take account of inflation. Since 1997, obviously there has been inflation, albeit at a relatively manageable level.

The requirements and promises that were made have not yet been fulfilled. OSSTF released an Ontario Liberal government report card. Although there were good things in it, in terms of finances we gave a failing grade to the peace and stability section for benchmark and base funding.

I want to be really, really clear: There was additional money put into education, and all the things it went to are

being very well used. A lot of my colleagues are going to book clubs to learn more about literacy so that in their math class and their history class they can do good things for kids. All of us understand that kindergarten to grade 3 class size is incredibly important. Those are good things. But they're new initiatives. The old problems still exist and have not been addressed, and they need to be addressed for us to move forward successfully.

Last week in the Glebe high school library, 2,000 books were lost, and it looks like the subfloor and carpet all need to be replaced. We're not going to know for sure what all the reasons for that were, but ongoing maintenance has been one of the things that have been cut in our school board because adequate money in the foundation grant wasn't there and they've moved money from maintenance to cover those kinds of things.

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The teacher resource centre was widely covered in the media. It was a great system: multi-board sharing of resources so that the resources were being circulated on a regular basis and being used for kids in classrooms. That was another thing that was cut because our board couldn't afford the distribution system.

Everyone is aware that education is a labour-intensive system. Salaries make up a large proportion of the foundation grant. Provincial legislation required all teacher collective agreements in Ontario to expire in August 2004. In Ottawa-Carleton, all of the support staff agreements expired then too.

Our government, the Liberal government, has claimed that peace and stability are its key goals, but we've got seven bargaining units locally whose members have heard that message. They're expecting to be treated with respect. Although we appreciate the extensive consultation that has been going on, we haven't seen the improvements to funding and negotiations aren't going well.

Several weeks ago I spent most of Saturday—I did my turn driving, but I spent most of the time sleeping in the back—going to Queen's Park for the "Keep Your Promises" rally. The key promise that the education workers and support staff who were in the van with me were frustrated about was the funding formula and Rozanski's number one recommendation.

The funding formula is still inadequate. School boards are still unable to meet their obligations. Ontarians are still expecting better. This spring session of the Legislature, including the budget process, is your opportunity to keep your promises, and that goes for all parties, because all parties agreed that the funding formula was in need of being updated. Please give school boards the ability to allocate funds appropriately so that teachers and support staff can work together with parents to provide the best education possible to our students.

The Chair: Thank you. The questioning in this round will go to the government.

Mr Phil McNeely (Ottawa-Orléans): Thank you very much for coming in this morning to make your presentation to this committee.

We've spoken in the past about the Rozanski report and the objectives that were set up in that report for the provincial government. We've heard as well from I think five colleges so far on this trip. It looks like the colleges are underfunded, if we look to the provincial average, by something like \$600 million. So the crunch in education is there.

If you're going to give advice to this committee and that advice is going to the finance minister, you said where to go in the foundation grants, but do you want to go through again where you think the major impacts of reinvestment should be?

Ms Rab: Again, these aren't my ideas. Dr Rozanski went across the province and listened to experts from all sides, and everybody within the education sector and all three political parties agreed that the foundation grant, the very basic building blocks of the funding, needed to be revised so that it was accurate.

If we were all talking out of the same side of our mouth, if we could all look at the numbers and realize what the costs of education are and the expectations in terms of providing education, we would be way ahead of where we are right now. My request to the people at this table today is that if you put money into education, you put it where it's needed.

All of the evidence, and we've all agreed to this evidence, is that the funding formula needs to be revised and the foundation grant needs to be accurate so each kid starts with their fair share of money in education. Then we can deal with transportation and special education and all the pieces that make each board a little bit different.

Mr McNeely: So the answer basically is to stick to the Rozanski recommendations, put the dollars into the foundation grants and that will parcel out in the proper way.

From an Ottawa perspective, you say that some of the schools are in terrible shape. We have major problems with infrastructure generally in Ontario, whether it's transportation or hospitals or schools. How is the local area doing with their infrastructure renewal?

Ms Rab: The Ottawa-Carleton District School Board has built very few schools in the last little while. We've got a lot of schools, some that are over 100 years old. It depends completely from one end of the city to the other in terms of the condition. Our support staff have been very, very hard hit. The government legislation requires a certain number of teachers in the building on a per student basis, but everywhere that the school board has had a chance to cut corners, it has done so. We're going to be in for millions locally and billions across the province in terms of replacing roofs and all the things that are damaged because of leaks because heating systems have broken down and those kinds of issues.

The Chair: We have about a minute. Further questions? Seeing none, thank you very much for your presentation this morning.

Is Ottawa and District Labour Council present?

For the committee's information, there are some persons coming to present here in Ottawa from Toronto. The weather is not good at that airport this morning, and

there may be delays or in fact people not able to come at all.

We will recess until the next presenter arrives.

The committee recessed from 1026 to 1034.

OTTAWA AND DISTRICT LABOUR COUNCIL

The Chair: The standing committee on finance and economic affairs will reconvene.

I'd ask the Ottawa and District Labour Council to please come forward. Good morning. You have 10 minutes for your presentation, and there could be up to five minutes for questioning. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr Sean McKenny: My name is Sean McKenny. I'm president of the Ottawa and District Labour Council. The city of Ottawa has three Marriott Hotels, and I can attest to all three of them this morning. In any case, it was an interesting walk from one to the other, and I figured I'd just better hop in a cab to get over here to make it on time.

Mr Mike Colle (Eglinton-Lawrence): You were at the last one last year, right?

Mr McKenny: I went to Laurier, and then I ended up at the Courtyard and back over here.

In any case, I did make it, and good morning. The Ottawa and District Labour Council has been the voice of Ottawa's labour community since 1872. Currently, there are approximately 90 different local unions with a membership of 40,000 working men and women affiliated to the Ottawa Labour Council.

I want to start by thanking the committee for the opportunity to appear before you. We certainly have always promoted the need for public consultations on matters affecting all levels of government, ultimately on matters affecting its people. The provincial budget is no exception, and public input into that process is fundamental as Ontario attempts to move forward.

At the same time, I need to make the comment that labour—and I don't believe we're alone—takes exception to the pasted and, in our opinion, thrown-together process to attempt to accommodate and give the illusion of a public process simply to appease some and allow an optic that the process was conducted simply to say, "We went to the people of the province to hear from them," when in fact the time allowed for practically all to gather any kind of data or allow for the compilation of sources and resources was incredibly short.

Not unlike the province, our city, Ottawa, is going through a similar process, where our city council is currently going out to residents, businesses, organizations etc for input into the city's budget. A similar exercise was conducted last year and, in fairness to our mayor and city council, it's clear that lessons were learned about the process—what worked and didn't work—that they've built upon, or are attempting to use what worked for this year's process.

This province was led by a government hell-bent on cutting services and reducing taxes for a number of years.

On the outside, the question posed to people, "Do you want to see a reduction in the amount of taxes that you pay?" will result in a resounding and all-encompassing yes; it's a no-brainer. And we've seen and heard this over and over at the federal level, the provincial level and the municipal level. People don't want to have to pay more: a simple, concise, factual statement.

However, we saw with our previous Conservative provincial government the devastation, the destruction of our province as a government focused solely on that specific reference and completely ignored what has to unequivocally accompany that first statement. The statement then becomes, "Do you want to see a reduction in the amount of taxes you pay, keeping in mind that any cuts or to hold the line in some instances will most assuredly negatively affect programs and services provided?"

As a part of the city of Ottawa's pre-budget consultations last year—I believe it was referred to as the universal program review—city council, as part of cost-cutting, determined that the yard leaf recycling program would be scrapped. The community was up in arms: "Where the heck are we supposed to put our grass clippings and leaves?" City council reintroduced the yard recycling pickup. I do have an opinion when it comes to the relevance of grass clippings over feeding hungry children or making sure that we find affordable housing, but I'll leave that to others or to another time. Out of courtesy to the people of Walkerton, I won't focus on that specifically, but it is clearly a visual in respect to the result of a very misdirected and misguided cost-cutting exercise.

The headline in the city section of one of our local newspapers this morning reads: "Wanted: 8 More Health Inspectors," and it references provincially mandated restaurant inspection standards and the fact that our city is not meeting those standards due to a lack of personnel. The article notes that, "Close to a third (116) of Alta Vista ward's food premises (423) prepare higher risk food, which could, if not well monitored, lead to food-borne illnesses." Those comments come from a report by city staff.

The cost for eight additional health inspectors: \$600,000. My understanding is that the province has to pick up 50% of those costs, with the rest being absorbed by the city. Where is the city supposed to find the money? Where is the province going to get the money? Yet Dr Cushman, Ottawa's medical officer of health, says that the restaurants in Ottawa are not being checked enough. Ottawa has four inspectors per 100,000 population, Toronto has six, Hamilton has eight and, according to this morning's article, Leeds municipality has 14 per 100,000. Clearly, a part of this problem is the direct result of the provincial transferring of inspections a number of years ago, which resulted in the city having to pay 50% of costs. This is but one small example.

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As the province of Ontario readies for this year's budget, it must focus on the programs and services needed to sustain our communities, and I do not mean to

imply that a tax rate be hiked automatically. When it comes to the health and safety of the people of this province, all levels of government have an enormous responsibility.

Some provincial governments of the past have been lax, and we've seen the results. The current provincial government, although I admit it is moving in the right direction at times, at other times, with the approval of public-private partnerships for hospitals in Ottawa and Brampton, is clearly misguided and losing focus not only on patient care at those hospitals but also, at the end of the day, higher costs. Time and time again, it has been shown through factual data that privatization inclusive of public-private partnerships costs more and does not improve quality. Further attempts in this area are wrong. A focus on increased user fees is wrong if those user fees are directly associated with those who may be marginalized. This is not in any way a part of an ideal, but quite simply logical.

This provincial government must focus on providing its municipalities with more. It has a responsibility to do that. We'll agree that there has been some positive movement, albeit very small, toward that direction. We must do away with the shirking of responsibilities that seems at times to have become the focus of all levels of government as we wade our way through the 2000s.

Ottawa and all of its residents need more from the province. Clearly the lack of needed health inspectors in our city that I referred to earlier is but one small example of that.

That the province needs more from the federal government is a given, and the labour community in this city is prepared in any way it can, if asked, to help in respect to those efforts. We're certainly no more magical than you, but if there is a combining of all efforts, then maybe—just maybe—at the end of the day, there's a higher chance of success. Thank you.

The Chair: This round of questioning will go to the official opposition.

Mr Barrett: Thank you for the presentation on behalf of the labour council. It's unfortunate about your travel between the hotels. I can identify with that.

I think you contrasted this consultation with what was touted as a very significant pre-budget consultation last year. What other methods or approaches are available to your members to get through to the Ministry of Finance or to the Premier, as we approach budget day?

Mr McKenny: I would like to think that the labour council in Ottawa could pick up the phone and call. Certainly, we do quite often attempt to communicate a direction that we think is right, not just for our community but for the whole of the province, as it pertains to monies. The biggest point I made earlier on, and the thing that I'd like to be able to go away with, is that the province has got to focus on the municipalities, because they're the ones that need help. Ultimately, I think they can, in return, help the province.

Mr Barrett: The members of the finance committee kicked off in December with a presentation by the

Minister of Finance. In his suggestions to this committee, he recommended that we ask a number of questions of deputants. He recommended seven questions. I'd like to get a few of them in.

Question number 1, again from the Minister of Finance: "What other measures could be implemented in Ontario to constrain spending and modernize government?"

Mr McKenny: Again, I think if you were—and I'm not suggesting that you weren't—listening to the presentation that I made, I think at some point in time, governments have to step back and take a look at the monies they are spending and determine whether or not they're well-spent. I would understand that this is part of the process. And if they are, then to move forward does not mean to lower the line on the monies that are spent by the province. That would be my response to that.

It's not always good to just find extra dollars and cut back, despite the fact that I also indicated that I'm not advocating that everybody wants to see an increase in the taxes they pay in this province.

Mr Barrett: This was the Minister of Finance's question number 4: "Where there is a desire to increase spending, what monies should be reallocated from other areas to fund those increases?"

Mr McKenny: Those are the kinds of discussions that I hope this committee deals with over the next couple of weeks as it hears from other communities.

I've indicated that we have difficulty with health inspectors here, and you're all aware of that. What a damn shame it would be if, when you're on the plane between one community and another, some kind of outbreak happens in this community directly attributable to the fact that there are not enough health inspectors here. The same could be said about so many different programs and services in this community.

Mr Barrett: Further to that, our Minister of Finance has suggested that we ask: "What other measures could be implemented to streamline regulation"—I'm sure "streamline" is a code word—"and enforcement ... ?"

Mr McKenny: The enforcement of what?

Mr Barrett: I guess they're talking about enforcement anywhere from the Ministry of the Environment to—

Mr McKenny: I did indicate that I'm not, and I haven't, taken on the Liberal government in respect to—it's really difficult to comment on what members of this standing committee are—if you'll allow him to make those comments. I'm not sure what he's saying.

Clearly, some of the direction the Liberals have taken over the last year, inclusive of the hiring of more Ministry of Labour inspectors, is an incredibly positive thing. Ultimately, you could have a whole bunch of Ministry of Labour inspectors if they're not enforcing the regulations. Clearly, everything ties into each other.

The Chair: Thank you for your presentation this morning.

Mr McKenny: Thanks for waiting for me.

IRENA FUKSA

The Chair: I would call on Irena Fuxsa. Please come forward. You have 10 minutes for your presentation. There may be up to five minutes of questioning after that. The committee appreciates your indulgence this morning. Please identify yourself for the purposes of Hansard, and then you can begin.

Ms Irena Fuxsa: Good morning. My name is Irena Fuxsa. I am an electrical engineer by training with a PhD degree. Here, I am a mother of three educated Canadians. I am a mother of one medical doctor, one PhD with a medal for outstanding academic results and one student at the faculty of mechanical engineering.

I've tried to identify problems which, in my opinion, are the most important for Ontario's future. I would start with the position of family and women. Family constitutes an irreplaceable good of society. It is the smallest social unit and the fundamental institution of the life of the nation. Family ensures its survival. Because of this, great attention should be paid to the family's material and moral condition. A strong nation is always composed of strong families, which indicates that family matters should be society's priority.

The material situation of many working-poor and welfare families is very bad. The average rent of a two-bedroom apartment in Ottawa is \$850 per month. As a single mother with one dependant, after rent and hydro, I received \$30 per month from the welfare office. We almost starved.

My daughter was identified as gifted by the Ontario Ministry of Education. She graduated from high school with a 96% average. The welfare office refused to pay \$80 for her university admission fees. Now in her second year at the faculty of mechanical engineering, she has no means to live. OSAP covers her tuition and books. The department refused her a co-op placement. In 10 days we will be evicted.

I think the government should provide adequate criteria that every family needs to exist, because some families live on the border of annihilation. I learned that 80% of women in prisons are there because of crimes related to poverty.

If I could make a recommendation, I think the government should establish a commission to evaluate the economic situation of Ontario families.

There are families that are better off financially because mothers work out of necessity. Women have every right to work, but they should also have the right to stay home with children. Being a mother is very hard work, and we need to re-evaluate the importance of mothers' work at home. Motherhood should be economically recompensed.

I am not afraid to compare my work as a university professor with my work as a single mother of three on welfare. My life is a vast panorama of suffering.

If I may make a recommendation, I think the government should consider providing economic compensation to women who perform valuable work at home.

1050

The next point: I think we should reform the registered education savings plan. All our children deserve a good start in life, whether this is an education or a career. Tony Blair's idea of the child trust fund seems to be a good one.

My recommendation, if you permit me to state it: In order to provide an equal start to all young Ontarians, the government should establish a trust fund for every young person which will allow them to obtain an education or start a business or a career.

Work is really as much a necessity for humans as food or sleep. Without working we may live, but we cannot live well or happily. But while labour is a necessary condition of human well-being, all labour is not equally wholesome. We need a variety of jobs.

That brings me to social services. From my experience, they behave as if the good of this country belongs to them only because they have a virtual monopoly on distributing financial help to the poor. We need an intermediary organization that understands the family better and is closer to people. People have different talents and different abilities, and almost all the jobs that social services provides are sweeping streets or cleaning, making us all poorer as a society. This is against our common good. The common good is the good of each and every individual, and it should be our concern.

My recommendation is a better and more efficient placement service program which will recognize the qualifications of all people.

The last point: We have a serious housing crisis that is not due to the phenomenon of urbanization. The housing crisis is caused by the financial distress of people. There have never been so many empty apartments in Ottawa. In my building alone there are eight empty units. However, people cannot afford the rent. The right to housing is a basic human right. We need a serious subsidy program for housing consisting of two levels: (1) subsidized housing and (2) construction credits. Vigorous action on this front is needed.

In these times, we are all interdependent. Today I need help; if not, my family will be on the streets in 10 days. But maybe someone else will also need help from my daughter, who is a medical doctor. Thank you.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr Prue: If it's too personal you don't have to answer, but I'd just like to know of your own family circumstances, where you're on welfare. How much do you get per month from the Ontario government for yourself and the children who live with you?

Ms Fuksa: There is a big difference in my children's ages. The two older children graduated from university. I stayed home with my youngest daughter. She is 19 years old. For five years, I received approximately \$936. My rent was \$850 plus \$30, so my welfare cheque was for \$30 per month. My daughter has been identified as a gifted child. Now my daughter has been cut from welfare because she is a university student, so she doesn't have a right to social assistance. She received \$6,300 or \$6,400

in her OSAP student loan, and her tuition for the faculty of mechanical engineering amounts to \$5,600, so she has absolutely no means to live. She pays her tuition and about \$700 for books, and she receives no financing for housing and her social needs. Now I receive \$520 per month from the welfare office.

Mr Prue: That's not even enough for your rent.

Ms Fuksa: That's not enough for my rent. My son, who holds a PhD degree, with a medal for outstanding academic results and a master's degree with distinction, so far hasn't been able to find a job, so we are being threatened with eviction. I think our situation is extremely difficult, but it's not only our situation. You have many homeless people who don't deserve to be on the streets.

Mr Prue: In the last budget, the government put a 3% increase. Tell us what that 3% increase did or did not do for you.

Ms Fuksa: You said 3%? On \$520, that would be about \$15.

Mr Prue: Is that of any significance to you?

Ms Fuksa: It's a big help for me, because with this \$15 per month I am able to put food on the table for three or four days. I am happy when I have \$1.

Mr Prue: How much do you think you would need to continue to stay in your apartment? How much real money would you need a month?

Ms Fuksa: My rent is \$850 and social services pays \$320, so it's about \$500 to keep me in my apartment. This is a very modest apartment, a basic two-bedroom apartment, an average apartment in Ottawa.

Mr Prue: In 10 days, where are you going to go?

Ms Fuksa: I do not have any idea. I think an injustice is being done to my children, who worked extremely hard to get their education, and to me. In all this distress, I wasn't able to do anything, in spite of the fact that I am myself a very well educated person. But without even bus transportation, without clothing, without food, and in all the stress of being evicted, I couldn't do anything.

The Chair: Thank you for your presentation before the committee.

For the committee, the 11 am deputation, the Ontario Community Support Association, is having flight problems. As we have no other presenters in the room, we will recess until a presenter arrives.

The committee recessed from 1100 to 1114.

OTTAWA-CARLETON ELEMENTARY OCCASIONAL TEACHERS' ASSOCIATION

The Chair: The standing committee on finance and economic affairs will reconvene. I would ask the Ottawa-Carleton Elementary Occasional Teachers' Association to please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning after that. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Ms Kathryn Harris: Good morning. My name is Kathryn Harris. I'm with the Ottawa-Carleton Element-

ary Occasional Teachers' Association, which is part of ETFO, the Elementary Teachers' Federation of Ontario. The Elementary Teachers' Federation of Ontario represents 52,000 educators in public elementary schools across the province. It also represents 15,000 qualified occasional teachers, who are also known as supply teachers.

The elected members of this province have passed legislation to ensure that our children receive the best education from highly educated people who, at a minimum, have two university degrees. They have received the best training.

For eight years, public education in Ontario was subjected to enormous cutbacks in funding. We are pleased that the present government has begun the process of rebuilding. For example, the foundation grant funding for the occasional teacher budget was increased from \$88 to \$90 per elementary student, an amount which is approximately half of the daily pay rate for an occasional teacher. Cash-strapped district school boards have the flexibility to move money into and out of budget lines, but other programs suffer. It is up to the legislators to stop this practice and to properly fund district school board budgets to cover these shortfalls.

Children in elementary schools in Ontario already receive less per student than those in secondary schools. For some reason, a six-year-old child is worth less than a 16-year-old. If this anomaly were corrected, then the district school boards would be in a position to increase their occasional teaching budgets.

The Ministry of Education stresses the importance of caring for Ontario's children to ensure their safety as well as their education. To this end, if a classroom teacher is absent, administrators cannot leave elementary students unsupervised in their classrooms. The curriculum cannot be properly presented if two classes are combined. The ministry has created a demanding curriculum for our children and then demands that the programs be followed.

In order to maintain the quality of education, only certified teachers may replace an absent teacher. The College of Teachers was created by the previous government to make sure that only qualified teachers enter the classroom. These teachers are dedicated professionals who devote their working time to teaching and caring for our children. They must be recompensed at a reasonable rate to ensure that we keep them in the profession. Even if an occasional teacher was to teach at the daily casual rate for all 194 teaching days of a school year, an occasional teacher can earn only \$34,000 a year. It is more likely that an occasional teacher will work 100 days a year and will earn less than \$17,000. It is hardly an attraction for someone with two degrees to work at less than the poverty line. Most newly graduated teachers enter the profession as occasional teachers. We cannot expect them to continue as teachers if it means living at poverty levels. No one with two university degrees working in their field earns as little as an occasional teacher.

1120

Concern has been expressed by many regarding Ontario's ability to attract and retain new teachers. In this district school board, most newly graduated elementary teachers enter the profession as occasional teachers and can remain occasional teachers for three years or more before being hired. It is not surprising that these highly qualified, well-trained, certified teachers take their expertise to other professions and other countries.

In spite of collective agreements which include language to allow teachers 20 days of sick leave in a school year, administrators are telling their teachers that these numbers must be reduced in an attempt to reduce the pressure on the occasional teacher budget. Because school boards have tied occasional teacher budgets to the budgets for classroom supplies, when the occasional teacher budget is exhausted, the administrators are forced to pay for the services of an occasional teacher with the instructional budget. The government cannot legislate wellness.

Occasional teachers provide an invaluable service to the district school boards in this province. Without these dedicated professionals working in our schools, maintaining classroom routines and providing a continuity with the curriculum, it would be difficult, if not impossible, for district school boards to follow the mandates set out by the ministry. I urge you to address this issue and to increase funding for occasional teachers.

The Chair: This round of questioning will go to the government.

Mr Patten: I only have one. My wife's a teacher, so I have great empathy with the work environment and the challenges of each teacher, whether full-time or occasional. But my understanding is that, certainly in our area, there has been an uptake, a growth in full-time teachers, unlike, I think, a few years ago, where with some of the cuts there were not opportunities and school boards were really, really stuck.

I know your focus is on the occasional teachers, and I respect that, but I'd be interested to know, is the main group of occasional teachers recently graduated teachers? What percentage are teachers who say, "I don't want to teach full-time. I like the flexibility and the option of being able to move in and work when I want and where I want"? You seem to be implying that certainly not all but a good proportion of occasional teachers are kind of stuck in this situation, and therefore that is their primary livelihood and that is what they are facing. Could you go through the demographics a little about how this sits? My understanding is that there's turnover and there's an expansion with lower numbers in grades. This will be over a three-year period, of course, but that will open up new opportunities on a full-time basis for teachers. I wonder if you might address that a little bit.

Ms Harris: In the Ottawa-Carleton District School Board, and I can only speak for this school board, there have been some hirings because of the increased funding, and that's wonderful.

At the moment, my most recent list of occasional teachers from human resources has 2,000 names on it.

That's 2,000 unemployed, qualified teachers looking for work. About 400 of them are retired. I'm not certain how many of them wish to do only occasional teaching—they don't put that into the records—but I would say the vast majority of them are looking for full-time employment.

Mr Colle: I know in some parts of the province there were a lot of non-certified teachers who were acting as occasional teachers a couple of years ago. Now what's happened is there's a requirement, I know in the greater Toronto area boards, that they be certified. What is the situation in the Ottawa area in terms of non-certified or certified teachers as occasional teachers?

Ms Harris: The Ottawa-Carleton District School Board has never used unqualified teachers. Because of the list of qualified teachers, they don't have to.

Mr Colle: There was always the great availability of certified, trained teachers.

Ms Harris: Yes. It's the legislation that says that teachers must be certified with the Ontario College of Teachers.

Mr Colle: As I said, I know that in Toronto they were filling spots. In fact, I think they still are today. There are some teachers who are not certified who are acting as occasional teachers in Toronto schools.

Ms Harris: I can't answer for the Toronto schools. I'm sorry, I don't know the answer for Toronto. I do know that here in Ottawa-Carleton, they do not.

Mr Colle: They are trained, certified etc.

The Chair: Thank you for your presentation this morning.

OTTAWA-CARLETON ELEMENTARY TEACHERS' FEDERATION

The Chair: I would call on the Ottawa-Carleton Elementary Teachers' Federation to please come forward.

Mr Paul Dewar: I'm Paul Dewar. As you can tell, Lisa Falls is not with me today and sends her regrets.

The Chair: I'm rather compelled to let you know and remind you that you have 10 minutes for your presentation and there could be up to five minutes of questioning after that. You may begin.

Mr Dewar: I certainly hope to keep it under 10 minutes.

First of all, let me thank you for the time and for taking part in this. I know it's important, but it's not a lot of fun for a lot of you to have to go on the road. Thank you for the opportunity.

I just want to give you a little bit of background about our organization. We are elementary teachers. OCETF is our organizational name. We represent approximately 3,000 teachers here in Ottawa-Carleton. We are affiliated with the Elementary Teachers' Federation of Ontario. All of our members are employed by the Ottawa-Carleton District School Board. As an organization, we are dedicated to representing the interests of our members—teachers—as well as the students we teach, and

promoting the importance of our profession and public education.

The Ottawa-Carleton District School Board serves approximately 75,000 students, over an area of 2,760 square kilometres, so it's a fairly large breadth. This area is a combination of rural and urban schools that present considerable transportation problems. The schools offer early, middle and late French immersion and English as a second language in addition to the regular English programs. The Ottawa-Carleton District School Board also runs a variety of other programs, including international languages, outdoor education, adult and literacy, as well as a selection of general interest courses.

The board is an amalgamation of two previous boards: the Ottawa Board of Education and the Carleton Board of Education. The amalgamation resulted in a number of problems, which aren't unique to here, but from that standpoint the problems have to do with everything from transportation, as mentioned, to incompatible computer systems.

Funding cuts over the years have resulted in a steady deterioration of both learning and working conditions here in Ottawa-Carleton. As educators, we applaud the initiatives the provincial government has taken in its attempts to cap class sizes in the early years and jettison some of the previous government's less enlightened policies, like the private school tax credit.

That's just a bit of background.

1130

Here in Ottawa, there are many outstanding issues in public education, as I'm sure there are in the rest of the province, and I believe the government needs to address some of these. Some of these would cost money, but some of them would not. I would like to go over some of these issues and start with those that would be non-cost items.

I know the government has addressed some of the issues around standardized testing, but I think it would be the perspective of most elementary teachers that in fact they should replace the province-wide standardized testing of grades 3 and 6 students with random sample testing. This would not only save money but it would also meet the mark of taking a look at where you're at, where your students are at. Are they meeting the outcomes that are presented to teachers to address?

School board budgets: This is a very important one for administrators, not just for teachers, and that is to provide school boards the money they require in a timely fashion. This helps for planning. It also helps for delivery of program in the end.

Professional development: Again, I know the government is looking at this. Teachers from our local would like to see the five PD days that were taken away by the previous government reinstated. It wouldn't cost money.

Report cards: This is a very stressful, arduous process for teachers. It's done three times a year, to questionable effect. We would like to see the replacement of the fall reporting period for the provincial report card with a

parent-teacher conference to discuss individual student progress.

Special education: I'll be speaking to this in the cost items, if you will. Streamlining the administration of special education grants and individual education plans would be helpful and wouldn't cost money. In fact, the argument could be that it would save money.

I'd like to turn now to some of the areas that need investment and quite frankly need investment of money.

If there is one area that you can highlight of major concern to teachers here in Ottawa-Carleton, I'd have to say it's ESL. English-as-a-second-language students, whose first language is not English, must be given more help. Presently there is only funding for those students who were not born in Canada. Moreover, the funding that is provided decreases each successive year. No other program is funded that way. Simply put, it is an abandonment of a collective responsibility by both the province and, I would argue, the federal government as well. They have a role to play here.

I don't know if you know this, but I'd just put the question to you and perhaps we could talk about it after. I don't know if you knew that Canadian-born students whose parents were born elsewhere and whose native language is neither French nor English are not eligible for second-language funding. I think that's really important to underline. If there's one thing you take away from my presentation, it is that issue. We are leaving a lot of students behind because of that. To just sum up on the ESL question, we must fund our second-language program according to level of proficiency, not on arbitrary rules based on place of birth.

Special education: Funding for special education, as was mentioned previously, needs to be addressed. In Ottawa-Carleton we have too many kids on waiting lists and too many teachers pushing paper instead of teaching and helping children. I'm not going to pin the tail on any donkey here in terms of government. It's an issue that needs to be dealt with. So I'm not going to suggest the previous government; it's just an issue we have to deal with. I know there are discussions going on about that issue.

School renewal and renovation: The Ottawa-Carleton District School Board has a backlog of \$300 million in school renewal and renovation projects. This is not a matter of aesthetics; it is a health and safety matter. In fact, out of the 149 schools in the Ottawa-Carleton District School Board, 67 schools, or 45%, have been identified as in critical need of renewal.

In summary, I believe we must strive for the best in our society. We all know that public education is for all of us. Public education is not a good to be traded or a fiefdom to be guarded; rather, it is a way for people to learn from each other and about each other. I know you all have the best interests of our young people in mind. I urge you to demonstrate your concern by investing your time and energy in increasing the opportunities for all our young people, especially the children whose parents can't lobby or be heard.

The Chair: This round of questioning will go to the official opposition.

Mr O'Toole: Thank you very much, Mr Dewar, for your presentation. Like you, I've always been a large supporter of public education. My wife and daughter are both teachers, and with five children you learn to appreciate that the real gift in life is education. We could go on for quite a while on that and making sure that each individual student, through some means of communication with the parent as the primary educator, needs to be brought into the loop.

I'm not being critical of you. I'm just saying that as a parent I used to be frustrated with the edubabble about doing well at their level. Building in some accountability feedback mechanism is tough. It's difficult to tell parents that their child is not a achieving or is achieving at their potential, and decoding that so that they know what's happening at the current time. That's really what was missing for quite a while in the education system. I don't say it for today.

I just want to comment on special education. I couldn't agree with you more: As a trustee for about eight years and chair of a special advisory committee, and with a sister who's a speech-language pathologist, I think it's a growing and challenging area. I was told by a teacher in public hearings last year, a special ed specialist. Actually, it wasn't last year; it was the year before. We were government. They commented on the assessments, how much some of these assessments cost and how ultimately they're paper—red tape—driven, and that some of the assessments and the ongoing development of the child and the supports should be left to someone other than just a test to say where they are.

I would agree with you there. I think that's something that could and should be done and left with the educators, the professionals who can do the assessment and build an education plan that suits that child, have a way of revisiting it every year or two, when you move from elementary to whatever. Could you comment on that? Some of these assessments are like five grand or more.

Mr Dewar: There's a lot you've mentioned there. I'll just comment on a couple of things that are really crucial for teachers, at least in Ottawa-Carleton.

I think what has happened over time is that special education is more complex. Granted, there are issues that you or I would not have seen or heard of, going through the school system ourselves. I think what's important is to have a psych assessment, they call it, to see where the child, the student, is and from there hand it over to the teachers to work on.

Presently, though, you can have up to three times a year an overview of the individual education plan. You have what's called the IPRC, speaking of edubabble, the individual placement review committee.

Mr O'Toole: That's the first step, actually.

Mr Dewar: But before they get into the individual placement review committee, you have to have identified the needs, and often you have to have the psychological assessment. In Ottawa we have anywhere from 4,000 to

4,500 students waiting for that first part. That's their ticket in, if you will.

Otherwise, they're languishing in a regular classroom. I say "languishing" in the sense that they're not getting all the supports that they require. Then we could talk about the ISA system.

In a nutshell, I would say we need to make sure that kids are identified early, and after that I agree with you: We need to then put it in the hands of those teachers in the classroom who are working with those children and remove it from all the hoops, if I can use that term, that we have constructed over time. I don't want to, as I said before, paint it on any one government. I think it's an issue for all of us to collectively look at and address.

So make sure you identify children early, make sure they have a proper placement, and from there, put it over to the teachers and the parents to work together to decide on the progress and where they go from there. I think that would help a lot and perhaps even save money.

Thank you very much.

The Chair: Thank you for your presentation this morning.

1140

OTTAWA LIFE SCIENCES COUNCIL

The Chair: I call on the Ottawa Life Sciences Council to please come forward.

Mr Ken Lawless: Good morning. My name is Ken Lawless. I am president and CEO of the Ottawa Life Sciences Council. Thank you very much for the opportunity to speak to you this morning.

The Ottawa Life Sciences Council is a not-for-profit development organization for the life science industries in the Ottawa area. We've been around for at least a dozen years. Our main mandate is to grow the life science sector in the Ottawa area, although you will see that we are very active provincially, nationally and internationally in terms of trying to move this sector forward.

I have two documents for you. The first is a Power-Point presentation that I hope just to walk through with you. The second is an attachment of a media release and supporting documentation on a national biopharmaceutical manufacturing initiative that supports this.

This project started about three years ago with the support of the Ontario government and the federal government. I'd like to thank both the past and present governments for their continuing support of this particular effort. It basically started with the concept of looking at manufacturing in the biotechnology space. When we started to look at the manufacturing, we recognized that there was a need for what we call pilot manufacturing for these particular products. It's very specialized manufacturing, quite costly infrastructure to put in etc. When we started to do the project, we realized that this was much bigger than a single facility or institute in Ottawa; it was much, much more than that. It was a huge opportunity for Canada, and there was a

leadership vacuum. So we decided to fill that void and work collaboratively with about 70 individuals from five provinces—industry, governments, NGOs—to put this plan together. I want to talk to you a little bit about what's at issue, what the plan is and where Ontario fits into this, if we could.

The first line that you see is just a diagram of what the Centre for Biopharmaceutical Manufacturing, which is a planned not-for-profit institute, would look like. There are two elements to this. One, this particular institute is focused on stewardship for this particular area. Anybody who knows about the biotechnology industry will know that Ontario is placed about fourth in North America in terms of biotechnology companies. We're very good at discovery; we're not very good at commercializing. We just don't quite have the right commercialization infrastructure in place.

This particular initiative focuses on two elements. One is trying to build the training and research complement in the manufacturing space. The second is actually to provide some of that capacity and the unique training facilities that are required. This is done actually through a private-public sector partnership that we hope to be able to put together. This is about a \$200-million initiative. There's about \$75 million estimated for the public side and \$125 million for the private side. What we're looking at right now is this as basically the core of a national program, and I'll come back to that in a second. I'd like to just walk you through the drug development process.

I just want to clarify, Mr Chair, how much time we have.

The Chair: You have 10 minutes, and I'll remind you when you have about a minute left.

Mr Lawless: The drug development process is actually quite fixed by the regulators. Basically, after you do research, you have to do animal trials and then you can start into human clinical trials. Most of Canada's 700 products are before phase 2 clinical trials. Now, the issue we have at hand is that most of our companies are there, most of our products are there and we have a bubble that's just about ready to come through, and our commercialization system can't handle it. The principal thing is actually manufacturing. What I mean by manufacturing is current good manufacturing practices facilities and the availability of highly qualified personnel to staff those facilities and the discovery companies. This is really what the issue is. Basically, what we have is a bubble coming through and a lack of capacity in Canada.

There's also a whole bunch of technology changes that are happening. Anybody who knows the pharmaceutical industry knows that it's been predominantly focused on chemistry and small molecules. It's now very large protein molecules. You can't make them the same way, you can't use the same staff and the facilities have to be different. So what's happening is, the pharmaceutical industry globally is having to retool because it's changing the molecules that it's using, and that's the influence of biotechnology.

Interjection.

Mr Lawless: You got it, and it's very, very disruptive. So what's the difference, really? It's really the difference between chemistry and biology and the difference between something the size of a golf ball and something the size of a Volkswagen Beetle, to give you a size difference in relative terms.

If I go next to the slide on how profound the global trend is, what's happening is that there's been a shift. The FDA, the regulator in the United States—almost half, or half of the new drugs that are approved are biologics. So there's a scramble now to retool and, in the retooling, there's a scramble also to not only put up facilities, but also they don't have the trained people. What's driving this is not the large pharmaceutical companies; it's the small biotechnology companies that (a) need that capacity, but (b) also have the pipeline. Big pharma doesn't have the pipeline of new products, so then it sets up a natural synergy between the two.

So there's a huge thing that's happening. We're seeing tripling of the manufacturing capacity over the coming years and, of that capacity, only a very small percentage is at the pilot scale, and that's where Canada's needs are.

Training: We're seeing a global need for tripling the employment in this space, so we're looking at about 80,000 new people needed globally. So any companies that do have that, like Aventis and others in Canada, are hearing a sucking sound, a brain drain to the US. It's really, really important. There's a lot of regulatory changes that are happening.

If you flick over to slide seven, which is the Canadian situation, in our biopharma development forecast, we're looking at, by 2010—so it's not too far away—a 93% increase in drugs in development, an 87% increase in drugs in clinical trials, 93% more SMEs, and we're going to need 66% more people in this space. These are quite aggressive, and if we don't, we're going to lose out on about \$15 billion worth of investment.

The next slide gives you the forecast beyond that, which is staggering. We don't have enough pilot capacity to do what we currently have right now. Can you imagine what it's going to look like when we have the phase 1 and phase 2 volumes by 2010 that we're seeing here? So these are just huge numbers, but they're also huge opportunities for us, and the key is highly qualified personnel. That's really what it boils down to.

The Canadian situation is that we had to put together a national strategy. No one region can win. It's not about Montreal, Toronto, Ottawa or Vancouver—those are the major centres—it's about all the ships floating up with the rising tide, and we have to do something on that basis. So we set out to do that, and that's what we've done with the Canadian Bioprocessing Initiative, which is highlighted in the release that I have there for you.

I'm going to ask if you can move to slide 11—this is the one with the map. Some of the unique features that we're having to deal with—and this is important from an Ontario perspective—is that we currently have nationally most of the activity happening in Ontario and Quebec. We do most of the biopharmaceutical manufacturing research and development. That's not drug discovery;

that's actual manufacturing. We have a \$5.5-billion pharmaceutical deficit in Canada right now. That's the amount that we import more than we export. Ontario's share is \$4.2 billion. That number is going to double by 2010. So do we want to continually fork money out of the country and out of the province or do we want to have this industry present and making product for other people, as opposed to just taking our discoveries and sending them away? That's really the issue here.

The initiative that I have here—and I don't have a lot of time to go through it—is summarized on page 12. What it's about is focusing on physical capacity; it's focusing on increasing the research capacity that we have. The people who need to be staffed—and these are highly qualified personnel—need to have an advanced degree. The only place they can get that is at a university. They have to do research. So we have to have the researchers in the place who can then train these people and bring them forward. We need to double the number of people that we have.

The second is that we also need to train and re-skill people. It's one thing to be doing it at a lab bench; it's another thing to be doing it in an industrial facility. We don't have the training to do that. All the companies do that in-house right now. The people whom the manufacturers need are the same people who are needed inside the small and medium-sized companies. So we have a double whammy. We've got a lot of inexperienced companies trying to move a product through a process, and they don't have the skill sets. Globally, those people don't exist, and we've got a problem. We don't have a training program in Canada or in Ontario to fill them. Yes, they do have the right degree, but what they don't have is the 18 months' experience in a regulated environment on a commercial scale. That's the critical part here, and that's what's really killing us in this context.

1150

What happens if we don't implement something like this? We become, from all the investments that we're making and have made, Canada subsidizing the world. We do all this research, we get four cents on the dollar in royalties, somebody else takes the other 96 cents and then sells it back to us, and we're in a pharmaceutical deficit. This is the problem that we're facing, so we have to do something about it. This particular initiative is very focused on one of the key bottlenecks that we have, so we really do have some issues that are there.

I'm going to go to facts and figures for you. We have been working with the federal government on this and with the provincial government, the Ministry of Economic Development and Trade, for about three years on this particular project. We're looking at about \$450 million over seven years of recommendations here. The federal contribution represents about \$370 million. It would come from both existing and new monies; there has to be a blend of those things. We are also looking for provincial contributions, and in this case Ontario's contribution would likely be estimated between \$60 million and \$70 million over four years, much of that

focused on infrastructure and a contribution to the Centre for Biopharmaceutical Manufacturing.

What's the impact? Well, the phase-in for this is to 2010. The impact is about \$1 billion direct—this is all direct impact—and then, once this is in place, \$2 billion a year. That doesn't include our ability to attract large pharma or other contract manufacturing organizations or other countries' manufacturing. Each full-scale manufacturing facility represents somewhere in the neighbourhood of a \$200-million to \$400-million infrastructure cost, and that's for one drug.

We have an opportunity here, if we get it right with our training and get it right with our pilot facilities, to not only capture our own Canadian pipeline but also capture the world's pipeline. That's what's going to build our biotechnology industry, which, by the way, is second in the world in number, but what we want to be is second in the world in revenue. The only way you get there is if you're manufacturing and exporting product, and that's what the issue is.

The Chair: You have about 30 seconds left.

Mr Lawless: Sure. So what happens if we don't? Basically, our pharmaceutical trade deficit continues to grow. All that \$15 billion of investment that we made, public and private money investment in companies: Kiss most of the return goodbye; it ain't going to happen. We're going to continue to have a glass ceiling for our companies; they can't get beyond there. We have to really do this.

What it boils down to is the status quo. We become a publicly subsidized intellectual property supply chain whose benefits are largely realized elsewhere. To give you a sense, in the United States this is an \$800-billion industry, so this is not small. We have an opportunity in Canada and in Ontario to play a lead role in this space, and unless we make these investments now, we can kiss what we've got goodbye.

The Chair: The questioning in this round will go to the NDP.

Mr Prue: Two areas: The first one is the investments that are needed. I'm not clear here: Are you looking for government grants, or are you looking for the government to use the tax policy to allow for, say, retirement funds and those kinds of things to be put in? I'm just not clear where you expect the \$60 million to \$70 million to come from.

Mr Lawless: The \$70 million is really broken down into two elements. One is an infrastructure element—very similar. About \$40 million of that is driven by an investment in a not-for-profit institute, that brand new institute in Ottawa that focuses on that space. The rest of the dollars come from training programs. What we're looking at right now for Ontario would be two to three regional training nodes that would use existing universities and colleges. Basically, what it's about is developing a manufacturing training network for Ontario in the GTA area and Ottawa. Those are the two major centres that can support it. Waterloo, for instance, is one of those major centres that have the capacity to do the training.

The number one location determinant for a biopharmaceutical company is highly qualified personnel. So that's the nut we have to crack. If we can do that, we can get investments.

Coming back to your point, this would be grant-focused in this space, but then it would be leveraging private-sector investment. So, for instance, the money that would be coming into the Centre for Biopharmaceutical Manufacturing—there's a \$75-million governmental ask in that, split between the feds and the province. That would leverage \$125 million of private-sector infrastructure money right on top of that. From that, we would have the actual pilot facilities these young companies can then use to get their clinical-grade materials so that they can go on and do their clinical trials. It's all about trying to get the really targeted, focused drugs into clinics as quickly as possible so that we can focus on cancer, HIV and all of the diseases that we really are having issues with.

The other thing about CBM itself is that the pilot facilities, of which there would be five suites, would also provide a capacity in the case of emergency. For instance, if we have a flu pandemic, we currently have no capacity to produce flu vaccine, even for first responders. This would give us that opportunity to do it and turn these things around on a dime—basically, a week—and then start to produce the materials and get that first batch out to the first line of defence, and then let the bigger manufacturers like Aventis and others pick that up and run like the devil with it.

So this meets a whole bunch of needs, not just a training need or an economic need. There's a huge impact on the health care system and our readiness for the health care system.

Does that help you at all?

Mr Prue: I think that more or less did it. So you're not only looking for money. When they start to parse all this out, this is not only grants, this is not only seed money, but in fact much of it would be spent in the colleges and universities.

Mr Lawless: Absolutely.

Mr Prue: So it would come out of education and higher education as well.

Mr Lawless: Exactly. As a matter of fact, if you look at the federal spend we have, about \$150 million of that is directed toward research and development in this space. Ontario would probably end up with half of that money. So we would see 75 million new dollars of research and development money into the universities in Ontario for that.

The Chair: Thank you for your presentation this morning. We appreciate it.

We are recessed until 1 o'clock.

The committee recessed from 1157 to 1302.

CHILD CARE ACTION NETWORK

The Chair: The standing committee on finance and economic affairs will come to order, and we'll begin this

afternoon's presentations. The first to present is the Child Care Action Network.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Ms Diane O'Neill: I'll just go quickly through my presentation. It takes about 15 to 20 minutes to get through it, so I'll just sort of skim through the interesting parts. I've given everybody a copy of it.

My name is Diane O'Neill, and I'm here representing the Child Care Action Network, or CCAN. CCAN represents not-for-profit child care agencies, associations, groups, child care workers, children services and children's advocates living in Ottawa. CCAN is the local network of the Ontario Coalition for Better Child Care, or OCBCC. Our purpose is to build momentum in our community to support, protect and expand regulated, not-for-profit, high-quality child care and its workforce in the city, the province and the country for our children and families.

I'm sure you're all well-versed in what high-quality child care is, so I won't go through it too much, but I will tell you why it's important to our country, our province and our city. It's very important because it produces a solid social and economic foundation for societies, social justice, social determinants of health, crime prevention at the community level, social equity and inclusion, human development and freedom.

Early childhood care and learning provides many benefits to society, including economic ones. Canadian economists have calculated that every dollar invested in high-quality child care brings \$2 in future social and economic benefits. If Canada made quality child care available to all 2- to 5-year-olds, the immediate benefits to our economy would be greater employability for parents, higher income and taxes paid by parents, and savings to the social welfare system.

Down the road, there would be similar benefits projected for the children, because early childhood education is linked to academic and career success.

I'll give you a brief overview of what child care looks like in Ottawa in 2004. There are approximately 95,000 children between the ages of zero to nine living in Ottawa. There are currently just over 11,300 licensed child care spaces, of which there are 6,700 that are subsidized. With over 70% of young children needing access to non-parental care, this means only 10% have access to licensed child care. Waiting lists can be up to two years for infants and toddlers and even longer for preschoolers.

Two local research studies, the multi-year participatory research project, Women's Access to Municipal Services, and the Success by Six: Community Inventory Gap Analysis Study found that:

Women in Ottawa identified the inability to access quality child care as a barrier to finding and keeping work or participating in employment training;

Women identified not knowing how to access subsidized care, long wait-lists and inaccessible locations as barriers;

The main unmet need of families is access to affordable, accessible, high-quality child care.

These findings are disturbing in light of the fact that our city has a strong understanding of the importance of and a commitment to regulated high-quality child care. This situation, instead, reflects the result of chronic provincial underfunding. Eight years of provincial cuts, together with increased financial pressures on city budgets—

Interjection: Who did that?

Ms O'Neill: The Tories did it, not the Liberals—is witnessing a retreat from the long-standing commitment. The retreat began two years ago, when our city was forced to eliminate 170 licensed child care spaces and placed a moratorium on the child care capital reserve fund as a way to stabilize the child care system and balance the 2003 budget. Last year there were further cuts to subsidized spaces, and the reserve fund was drained.

It's time for action. The Tory government's own Early Years Study set out an ambitious plan for integrating and expanding a network of community-based programs across Ontario to provide universal early childhood education and care for parents and family support. However, instead of implementing the recommendations, the Harris-Eves government launched the Ontario Early Years centres, with one centre located in each provincial riding. These centres are completely separate from the child care service management system responsible for the planning and coordinating of children services, which undermines the legitimate role of local government in planning. This situation must be reviewed and remedied.

The effects of tightening provincial child care subsidy criteria and the new class of subsidies created for Ontario Works clients have created a situation where there is huge unmet need on the one hand and licensed, subsidized spaces sitting empty on the other. Centres are struggling to run quality programs while trying to keep their doors open. Child care is in crisis. There is no coherent system. Child care programs report financial crises, difficulty recruiting and retaining staff, escalating fees and deteriorating physical environments. As a result, many regulated child care programs struggle to deliver developmental environments, and even when quality services are available, most families cannot afford to access them.

Instead of being a leader in developing a system of early learning and care that gives children a good start in life, Ontario has fallen behind. We lag behind most other industrialized nations, and behind Quebec, which has taken great steps toward a universal child care program since it introduced a systematic and comprehensive child care plan in 1997.

The need for a child care strategy for Ontario has never been greater. As child care moves back on to the provincial and national agendas, Ontario needs a funding

and policy strategy aimed at putting in place an integrated, responsive child care system that meets the educational and developmental needs of children and the parenting and work-training needs of families.

The value of a national, provincially managed child care program is well recognized. Families across Canada, as well as in all regions of Ontario, need a system of universal, high-quality, not-for-profit programs. In ensuring that this becomes a reality before more children grow up, all three levels of government have roles to play.

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Setting national goals and targets demands strong federal leadership and federal financial resources, as well as federal collaboration with provinces. Ontario must play a key role with the federal government in urging such a commitment.

This presentation and my submission is based on the Ontario Coalition for Better Child Care's latest position paper, *To Boldly Go ... Towards a Comprehensive Child Care System in Ontario*, which was released in November 2004. It outlined a 10-year strategy for developing a child care system in Ontario that will provide long-lasting benefits to children, families, the economy and our society.

Our recommendations for the 2004 Ontario budget:

The early learning and care system we recommend is community-based and not-for-profit, providing services that meet the diverse and distinct needs of different communities and families.

Services will be universally accessible, regardless of children's abilities, cultural or linguistic backgrounds or regional circumstances, and regardless of family income or parents' employment status.

These services will be non-compulsory but available to all children to the extent that their parents wish to use them. Service development will be flexible according to what makes sense for each community, rather than a one-size-fits-all approach.

Services will be delivered using a hub model of integrated services.

The Chair: I just want to remind you that you have about a minute left.

Ms O'Neill: Oh, OK, what I'm going to do is—it's all in here. But I would just like to bring to your attention that it should be publicly funded, that it should be non-profit. That does not mean that we are advocating getting rid of the for-profit centres. What we would like to see is that they be grandfathered in. But no new money should be given to the for-profit centres, as this might trigger NAFTA or GATS and we would then have the big-box child care coming in from the States and from Australia. They're already having problems with those centres now.

It should be universal, inclusive and high-quality, and what we would like to see is to begin the phase-in of the four- and five-year-olds by May 2005.

We want the availability of federal dollars going only to the not-for-profits and the reinstatement of the \$160 million cut from the provincial budget between 1995 and 2001.

We would like to see a move to 100% provincial funding of child care. This is very important. London and Kenora have just refused the new federal money due to the burden of matching dollars. This is going to happen in more and more cities.

We need to address the issues of pay equity and wage-enhancement grants. The retroactive payment has not been stabilized yet. In most cases, it works to the benefit of: If you broke the law, you got your retroactive payment; if you honoured the law and paid out, you didn't get it. We would like to see that changed, and we would like to see wage enhancement going to every person working in the not-for-profit sector. Thank you.

The Chair: Thank you. The questioning will go to the government.

Mr John Wilkinson (Perth-Middlesex): Thanks for coming in. We had a bit of your presentation earlier, so it was great for you to give us the information on the Ottawa scene.

There was a recent proposal by the government about trying to provide for four- and five-year-olds. You have a lot of schools where kids are just there in the morning or the afternoon. So I'd be interested if you could elaborate on your recommendation of the hub principle that's in your presentation, about how we get everybody co-ordinated. Could you just give us that in a nutshell?

Ms O'Neill: The hub principle is that it would be a geographical hub. I'll use my centre. I work in a fairly large centre. We have 116 children from 18 months to 10 years old. At present, what we do is all our kindergarten and school-age children come to our centre. What I would foresee is that once we go into the school system, the space that I have for kindergarten and school-age children would be transformed into infant care, more toddler spaces, a resource centre for parents that they can access, home care—I could have my home care offices in those spaces.

We would then go into the school system and do the wraparound day for the school-age, and then be in for half the day of the kindergarten program so that the children would still be in kindergarten, but it would be a seamless day where they would have teachers and ECEs.

In the French school system, it works in two different ways in Ottawa. In some centres, it's a half-day kindergarten teacher, half-day ECE teacher. In other centres, it's a full-day teacher, alternate, so the ECE would be in for a full day. There's a lot of different variations of what could happen, and it would be based on what's good for each location.

Mr Wilkinson: So here in Ottawa, it tells me that you actually have some examples of the vision that we've stated from the minister about how to start the wrap-around and go from five and work it backwards. We can't do everything overnight; it has taken years to get into this.

Ms O'Neill: What we're saying is that it should be done within 10 years; not overnight, definitely.

Mr Wilkinson: We'd be more than happy to share with the ministry the example here. So it's the French

board that has an example of where that's working, and they've kind of worked out all the kinks.

Ms O'Neill: Yes.

Mr Wilkinson: In your opinion, that's a good system that seems to be working very well.

Ms O'Neill: It seems to be working very, very well.

Mr Wilkinson: If we could replicate that across the province, that would be a good thing?

Ms O'Neill: Yes, with ECEs in for—

Mr Wilkinson: With the ECEs working together.

Ms O'Neill: Yes. In the other school boards in Ontario, they have not used ECEs; they've used teachers.

Mr Wilkinson: I'm from Stratford. So could you just give me the name of the school board involved? Or I'm sure Richard may be able to help me.

Ms O'Neill: What I can do is get you the contact person who actually runs the ECE programs.

Mr Wilkinson: That'd be great. We'll make sure the minister gets that.

Ms O'Neill: OK.

Mr Wilkinson: Great.

The Chair: Thank you for your presentation this afternoon.

METIS NATION OF ONTARIO

The Chair: I call on the Metis Nation of Ontario to please come forward.

Good afternoon. You have 10 minutes for your presentation, and there may be up to five minutes for questions. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr Tony Belcourt: Thank you, Mr Chairman. My name is Tony Belcourt. I'm president of the Metis Nation of Ontario. I have some briefing kits that are being circulated to you. They include an overview of the Metis Nation of Ontario, some documentation on our registry, some information on our primary services, a copy of the Supreme Court decision *R. v Powley*, information on Metis Nation of Ontario harvesting, and a copy of the Metis Voyageur. At the very back is a calendar that I wanted to point out to you has a summary of everything. It has contact information for our councils and offices and so on. I have a briefing note as well that is being circulated.

The Metis Nation of Ontario represents the constitutionally recognized aboriginal people known as the Metis. The MNO is one of the governing members of the Metis National Council, which represents the Metis Nation at the national level. The MNO definition of Metis, consistent with that of the Metis National Council, is as follows: "Metis" means a person who self-identifies as Metis, is distinct from other aboriginal peoples, is of historic Metis Nation ancestry, and is accepted by the Metis Nation.

Historic Metis Nation communities exist throughout the waterways of the fur trade era in Ontario, including the upper Ottawa River, the waterways to James Bay, the

upper Great Lakes, and northwestern Ontario to the Manitoba border.

The MNO was founded in 1994. The MNO maintains a registry at its headquarters here in Ottawa. The MNO registrar is the only person with the mandate and the discretion to approve applications to the registry. Metis citizens registered in the MNO are those who prove to the satisfaction of the registrar that they are Metis within the meaning of the definition, meet the criteria set out in the MNO bylaws and provide all genealogical documentation to prove their ancestry. Approximately 18,000 adults have applied to the registry. Approximately 12,000 have been processed so far.

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The structure of the Metis Nation of Ontario includes the Metis Nation of Ontario Secretariat Inc, which is the administrative arm of the Metis Nation; the Metis Nation of Ontario Development Corp; and the Metis Nation of Ontario Cultural Commission.

The governing bodies include the Annual General Assembly; the Special President's Assembly; the Provisional Council of the Metis Nation of Ontario, which is our governing provincial body; the Women of the Metis Nation of Ontario; the Metis Nation of Ontario Youth Council; MNO Chartered Metis Community Councils; and Captains of the Hunt.

The PCMNO, WMNO and MNOYC are representatives elected every three years by ballot-box election according to the Metis Nation of Ontario electoral code. There are approximately 30 chartered Metis community councils in Ontario, each elected by ballot-box election according to the community electoral codes.

The MNO's annual budget is approximately \$11 million. The bulk of federal government funding is primarily for training and human resource development. The bulk of provincial government funding is for long-term care and some health-related programs.

A key feature in the MNO's programs is its scholarship and bursary program. The MNO has approximately \$4.2 million in endowment funds at 32 Ontario colleges and universities.

The MNO's key objective in 2005 is to develop a relationship with the government of Ontario based on respect of the Metis as a people who hold constitutional rights. A fundamental aspect of this goal is that the Metis be dealt with as equals, not as victims—a principal tenet of the Supreme Court of Canada decision in *R. v Powley*.

We ask the government of Ontario to fully live up to its commitments in the four-point agreement of July 7, 2004, concerning Metis harvesting in Ontario.

We ask the government of Ontario to conduct a review of all legislation and regulations to ensure that the Metis are treated fairly and equitably with First Nations in Ontario.

We ask that the government of Ontario, through tripartite discussions with the government of Canada, develop plans to provide adequate resources to enable the Metis Nation of Ontario, its councils and its subsidiaries

to develop the capacity to properly represent and manage the interests of the Metis Nation.

We propose that future financial needs for the Metis Nation of Ontario be provided either by special allocation of funds set aside for the Trillium Foundation, or that appropriate licensing for the Metis Nation be considered in any plans to expand gaming in Ontario.

We propose that funds be set aside to establish a chair of Metis studies at an Ontario university.

We propose that the government of Ontario immediately begin talks with the MNO on its emerging economic development projects to support the goals of self-sufficiency for the Metis Nation.

The Chair: We continue with questioning, and this will go to the official opposition.

Mr Barrett: Thank you, Mr Belcourt, for an excellent package of information. I haven't had time to go through it all. I do receive your newspaper. As you would know, the province of Ontario enshrined the right to hunt and fish a number of years ago in legislation. As I recall, at that time, that did not influence or affect aboriginal rights in any way. Just from a historical perspective, were you involved in those consultations at all or did you have a position at that time?

Mr Belcourt: No, we weren't involved. We weren't quite ready to participate in the discussions at that point.

Mr Barrett: More recently, I see in the newspaper—and I haven't had time to read this—with respect to MNR and MNO, that an agreement was struck, I think just last year—

Mr Belcourt: July.

Mr Barrett: —and I see the title of this article, "Anatomy of a Deal Gone Sour." I wonder, for the purposes of the committee, could you explain where, it sounds like just in the last few months, there has been some deviation from the agreement reached by the Metis people with—I don't know if it's the MNR, but with the province of Ontario? I wonder if you could just highlight that for us.

Mr Belcourt: Under, I think, the blue tab—I hope it is—there is one page that simply states four points of agreement for an interim MNO-MNR harvesting agreement, and there's also a map showing traditional Metis harvesting territories. It's the second-last tab, I think, or the last one.

The four-point agreement is very simple:

"(1) MNO and MNR agree that the MNO will issue a maximum of 1,250 harvesters cards for this year. The number ... is for this year only. A mutually agreeable process for a change ... will be developed....

"(2) The MNR will apply the Interim Enforcement Policy (IEP) to those harvesters cardholders who are harvesting for food, within their traditional territories and pursuant to the safety and conservation values set out in the IEP...."

The interim enforcement policy was put in place by the government of Ontario following the Sparrow decision, which came down in 1991. Basically, those aboriginal people exercising the right may do so if they're

doing so within the laws of conservation and safety. The province of Ontario did not apply that policy where the Metis are concerned. The Supreme Court of Canada established clearly that the Metis right exists, and our agreement is as a result of that Supreme Court decision, in *R. versus Powley*, September 1993. The agreement was reached in July, but when harvesting season was really starting to get well under way in October, the ministry announced that it would apply this policy only in areas north of Sudbury. That's not consistent with the agreement. The agreement doesn't say "in territories north of Sudbury;" it says "in MNO harvesting territories." We have a map, which was part of the negotiations and so on, which shows that the territories exist everywhere.

Mr Barrett: Briefly, Chair?

The Chair: About a minute left.

Mr Barrett: This standing committee on finance travelled in September, and that was initiated by a private member's bill introduced by MPP Gilles Bisson. Our goal was to hear consultation and deliberation with respect to native communities sharing in economic development; for example, the diamond project west of Attawapiskat. Now, that was limited to the north. I represent Six Nations-New Credit. We felt there was a case to be made for areas in the south to be considered, if any of that private member's bill was to go forward. I don't know whether the Metis community did a submission or were involved in that at all, but I just wonder if you were aware of that or had any comments on that for the purposes of the people around the table.

Mr Belcourt: Unfortunately, we just don't have the staff to be able to keep abreast of everything that's going on, so we haven't been able to address that specifically.

In terms of economic development, we want to establish a working relationship with the province because we already have been discussing with industry some projects, one of them quite significant: a hydro development to support the hydro needs of a forestry operation. We're going to need to raise the capital based on sound business practices and so on. So I talked with the government about the benefit of the Metis Nation of Ontario becoming the owners of that plant, which the company has proposed to us, and the jobs, obviously, that this means and what it means in the long term for the Metis Nation's self-sustainability. We have one project like that in northern Ontario, north of Lake Superior, and another project in the area around North Bay.

The Chair: Thank you for your presentation this afternoon.

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SCO HEALTH SERVICE

The Chair: For the committee, the 1:30 presentation has cancelled. I would ask if the Sisters of Charity health services would come forward. Good afternoon, gentlemen. You have 10 minutes for your presentation, and there may be up to five minutes of questions following

that. I would ask you to identify yourselves for the purposes of Hansard, and then you can begin.

Mr Paul Kane: Thank you very much, Mr Chair, and honourable members of the provincial Legislature. My name is Paul Kane. I am chair of the board of directors of SCO Health Service here in the city of Ottawa. I am accompanied by Mr Gérald Bisson. Mr Bisson is senior vice-president of corporate services and the chief financial officer for SCO Health Service.

Today is viewed by us as a real opportunity, and we appreciate that. Two of the members of your committee, Mr McNeely and Mr Patten, are familiar with SCO Health Service, but just to give you a very brief background, specifically, the Sisters of Charity health service operates a facility with 751 hospital and long-term-care beds here in Ottawa. It's one of the largest health care centres in its field in Canada and certainly in eastern Ontario. In addition to the size of the hospital in terms of the number of beds, we also have approximately 29,000 outpatient visits per year. It is a teaching hospital associated with the faculty of medicine at the University of Ottawa. It also has a research arm, in the form of the Élisabeth Bruyère Research Institute, which carries on research in the areas of health of the elderly, palliative care and elder primary care.

The submissions that we're making today focus in particular upon the hospital core, which is the core area of activity of SCO Health Service. The board of directors and senior management have done a lot of work and have spent a fair bit of time over the last six months meeting with our local members of Parliament and cabinet ministers in terms of the particular challenges that face SCO at the present time. We think—we hope—we have been successful in communicating the particular challenge faced by our organization.

We have been told very clearly and we understand the message from the Premier and the Minister of Health of this province that the allocation of public revenues to the health care field cannot continue to grow without check. We understand and we agree that we, as a health care institution, together with other organizations, have to be accountable to this province for the monies that we are allocated as base funding on an annual basis. We share the view of a number of other health care institutions in this province that the existing funding level is inadequate to be able to provide the level of services to which the citizens of this province have become accustomed. Having said that, we also recognize that there has to be an alignment of health care services in such a way that those health care services are provided by the organizations and institutions best suited and most economically positioned to provide those services.

Just so you understand, SCO Health Service is part of the solution. As a health care institution with our level of expertise, we should be taking some of the overflow from the bottleneck at acute health care centres and providing services at a lower cost. So, in terms of the stated objective of the government—namely, to rationalize the services within this province—SCO should be part of the solution.

Enough in terms of generalities. I'd like to move specifically to the kind of challenge that we're facing. Whereas I say I recognize the challenge faced by the government in terms of the available dollars, we do have a unique situation in the form of equitable funding, which is why we're here today and why we have been working with ministry officials and members of the government over the last six months.

The province, as you know, allocates in the form of base funding a certain amount to each health care institution. I'm going to make a motherhood statement, because I think everybody—every member of the provincial Legislature and every party and every citizen of the province—will agree with the following statement; namely, that citizens of this province and areas of this province in terms of how they are treated by the government should receive equal treatment. I think we all agree with that principle. The difficulty we're faced with is the demands which exceed finances. That presents all kinds of challenges.

In particular, we provided you with a background paper. I'd ask you to be good enough to turn to page 3 thereof. On page 3 there is a box, a chart. In terms of our peer group, we've taken other similar health care institutions providing the same kinds of health care as we are at SCO and shown you the percentage of the base level of funding. You'll see the bottom line is that, whereas the base funding of our peer institutions in the city of Toronto is at the level of 85% to 92%, the base funding for SCO is at 74%.

In addition to that, if you'd be good enough to turn to page 4 of my paper, you'll see, in terms of the first box there, that what we charge in terms of preferred accommodation rates, copayment rates, to our patients—the private rate at \$150 and the semi-private rate at \$100 far exceeds what our peer group institutions are required to charge their patients in the areas where they are located, particularly in the city of Toronto.

You'll see in the second box on that page that we generate in terms of revenue on our beds—our revenue-producing capacity per bed—on an average basis, \$27,000 per year, as compared to our peer group, which averages \$13,000 a year. So on the one hand we are charging the citizens of Ottawa, in terms of these preferred accommodations, a much higher level than in the rest of the province, and in Toronto in particular, and on the other hand we are generating revenue which exceeds that of those same institutions.

If I may, I'd ask you to go back to the previous page, and specifically the 74% base funding versus 88% average for the other peer groups. The reason we are so much lower is not because people have been malicious; it's not because anybody is out to get us or anything of the kind. The reason that we are lower-based funding is an historical reason. The reason specifically is that, unlike Toronto, we stood in the past and received revenue because we had residents from the province of Quebec who came over and received health care services here in Ottawa. That was intended in the past to offset

that difference between 74% and 88%. The difficulty is that that revenue base from Quebec is in the process of disappearing, and will disappear completely. That revenue base in Ontario represents to us at the present time, in 2002-03, \$4.6 million. Why is that figure relevant? It's relevant because in the balanced budget plan that we put in to the Ministry of Health, we are projecting, everything else being equal, a deficit next year of \$10.6 million. The ministry and the province of Ontario has said, "No way. You have to balance your budget."

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So we've done two things. We have gone back as part of that balanced budget plan and we have looked at revenue-producing capacity. We have looked at expenditure or operational reviews. We have projected a saving of \$3 million that we were able to come up with. We're projecting that we can produce that saving toward that \$10-million shortfall. We can't come up with the balance and we're faced with funding this base funding at 74%, versus our peer group at 88%, when over the next year or two we will have this Quebec revenue down to zero or very close to zero.

The Chair: You have about a minute left in your presentation.

Mr Kane: Thank you.

One of the things we have done is, as I've said, that we've looked at revenues and we've looked at expenses. We've put in our balanced budget plan. We've met repeatedly with the ministry. Because we are so confident in the responsible approach we have undertaken as an organization, we have—ourselves, unilaterally—invited the Ministry of Health: "If you feel that we haven't cut to the bone, haven't cut down much as we can, send in your review team."

Unless we can get this equitable funding addressed by the province we are faced, over and above the measures we've already taken, with the closure of 88 beds in our institution. That represents 18% of our beds throughout SCO, at the same time that the province of Ontario, through the ministry, has invested over the last two years \$50 million in renovations to Saint-Vincent Hospital, one of our sites, and the Élisabeth-Bruyère Health Centre, one of our other sites; \$50 million has gone into development and renovation of those two sites when we're faced with closing 88 beds, or 18% of our beds.

We think there is a solution; we believe there is a solution. We are saying that any Quebec revenue we get goes to the province. Please just treat us at the same level, on the same basis—88% base funding—as our peer group. We know we're swimming against the stream. We know that dollars are limited. We do feel, however, that we are in a unique situation because of this inequitable funding formula that is in existence at the present time.

I thank you for your time and for your attention. We'd be happy to answer any questions.

The Chair: The questioning will go to the NDP.

Mr Prue: Two sets of questions: First of all, I can see the 88 beds, but I also see the FTE impact being 122.97; let's round it off to 123 people. Who is going to be

impacted? Are you laying off nurses? Are you laying off doctors? Who's going?

Mr Gérald Bisson: In respect to the lower section, the closures of beds, it's patient care staff. These are nurses, RNAs, health care aides, physiotherapists, occupational therapists, dieticians and speech-language specialists. So it's direct patient care.

Mr Prue: The proposal is that if we proceed and if the government continues with its program, you're going to lose 123 staff.

Mr Bisson: That's correct.

Mr Prue: I guess it takes a long time to amass a staff, to find the right mix, to find the right person.

Mr Bisson: Absolutely. Look at the severance costs. In the first year there are no benefits whatsoever. Furthermore, it puts the institution, its floating capital, in an unsustainable position, let alone trying to facilitate a credit facility for us.

Mr Prue: So you save \$7 million but you spend \$6 million or \$8 million on severance.

Mr Bisson: Correct. What happens with our institution is the average age of our staff, who tend to have 25 to 28 years of experience—with common law out there, it takes a year to 16 months severance, because what happens with the collective agreements is that you have to give offers, to those who have reached the early retirement stage, of the first kick at the can. Typically, these are the people who will take advantage of a severance situation. That's why the costs are so high.

Mr Kane: Could I just add, in response to your question, sir, that you are right. Because of the severance costs—and this isn't just SCO; this is every health care institution in Ontario—the real savings will not occur until year two. All health care institutions have brought that to the attention of the ministry, and that's a problem that we're all trying to deal with.

Mr Prue: I suppose if people don't want to retire, you're going to get rid of the people with the least seniority, generally the younger people: last ones in, first ones out. So that's all your new people, your new talent, your new future. The long term: that's it, shot.

Interjection.

Mr Prue: Well, it's because of the collective agreements, but it also has a huge impact.

We understand that the minister has not sort of signed on to this to date. He's seen it in a number of hospitals and is a little bit reluctant to say go ahead and do that. I can understand why. What's your contingency plan? Obviously, you're going to continue working to convince him that this is a bum idea.

Mr Kane: Like any health care institution in Ontario, we have a worst-case scenario, but we're trying to avoid that. That's why we're here today. We're trying to explain the issues as best we can, to explain the implications. We're trying to work within the ministry, we're trying to work within the government and we're trying to work with this committee to make sure that any decision that does get made, whether it's SCO or any other health

care, is a knowledgeable decision and that we're all aware of what the implications are.

Mr Prue: There's nothing in here about the decline in revenue for Quebec patients. I know it's happening, but why is it happening? Are they not referring? Are they able to deal with their patients on the other side of the border? Why is the revenue declining? That's not here.

Mr Kane: Gerry may have something to add on this as well, but my understanding is it's really twofold: (1) the Quebec Ministry of Health is attempting to repatriate its patients in this region and to provide the services through their own health care institutions across the river and (2) it's a situation where, I guess as part of that, the Quebec ministry is also developing its own facilities which previously did not exist, and therefore these kinds of services, especially those specialized services through SCO, traditionally were only available on this side of the river.

Mr Prue: But you have enough people in the Ottawa area. I went to school at Carleton University 30 years ago. This is a much larger city than it was in those days. You certainly must have the people and the need, notwithstanding that Quebecers are not coming across.

Mr Bisson: Absolutely, but what happens is if you have 100 people and 10 are from Quebec and 90 are from Ontario, when we lose one from Quebec, it's one from Ontario that comes in. There's a large waiting list from the Ottawa Hospital, from the Queensway Carleton and from the Montfort, so we have to give priority to Ontarians, which is priority number one, not Quebec. So it's not because of lack of business.

Mr Kane: I guess the point I can add which may more directly addresses your question is if we no longer receive the Quebec residents but the beds are filled up by Ontario residents—and as you say, the need is there—that does not increase our revenue base. We get the same base funding on an annual basis. We're stuck at 74%. So Quebec patients disappear, Ontario citizens move in to occupy those beds, but our base revenue doesn't change. That's why we're in a bind.

The Chair: Thank you.

Mr Prue: I was just getting rolling there.

The Chair: Thank you for your presentation this afternoon.

Mr Kane: Thank you very much, ladies and gentlemen.

NORTH AMERICAN INSULATION MANUFACTURERS ASSOCIATION CANADA

The Chair: Would the North American Insulation Manufacturers Association Canada please come forward. Good afternoon.

Mr Stephen Koch: Good afternoon, Mr Chairman.

The Chair: You have 10 minutes for your presentation. There may be up to five minutes of questioning after that. I would ask you to identify yourself for the purposes of Hansard, and then you may begin.

Mr Koch: I'm Steve Koch, acting executive director for NAIMA Canada. Mr Chairman, committee members and staff, thank you for this opportunity to speak to you today.

NAIMA Canada is an industry association representing the majority of fibreglass, rock and slag insulation manufacturers in Canada and is a sister organization to the 70-year-old North American Insulation Manufacturers Association. This Canadian group was established in July 2004 to be active in the development of technical standards and to interact with governments and partners to promote the energy efficiency and environmental benefits of its members' products. The membership consists of Caico Industries Inc, CertainTeed Corp, Fibrex Insulations Inc, Johns Manville, Knauf Insulation, Owens Corning Canada and Roxul Inc.

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We are here today to voice our support toward the government's commitment to the reduction of greenhouse gas emissions and ensure a balanced approach is viewed when investing to meet this target. NAIMA Canada suggests that this government view the importance of energy efficiency in relationship to that of new energy sources. Both this government and the federal government have announced large contributions to the research and development of alternative sources of energy.

While we support your efforts, this government also realizes that renewable energy technology will not be making any significant contribution to the energy pool till the middle of the 21st century. Therefore, we should not ignore the concept of conserving traditional energy sources and, for that matter, future energy alternatives. It is our belief that in order to make an immediate and long-lasting impact on greenhouse reduction, we must support and assist in energy efficiency.

NAIMA Canada suggests that the committee on finance and economic affairs propose a budget that will reflect a serious commitment to ensuring that our places of residence and business can lead the way in energy efficiency. Energy used to heat and cool our environments is placing a larger burden on our supply each and every year. We therefore offer the following two recommendations for consideration: (1) remove provincial sales tax from purchases of insulation products and (2) increase building code requirements for energy efficiency and offer subsidies to offset initial costs.

The timing for the removal of PST on insulation purchases is crucial. The investment in home renovation has grown year over year. Why would we not encourage homeowners to increase their insulation levels during renovation? Harvard studies in the US show that up to 65% of existing homes should have insulation upgraded to meet new energy codes. If this was done, it would save an estimated 800 trillion BTUs. That is equivalent to a 37-day supply of gas for all of the United States.

While studies are not yet completed in Canada, the provincial government of British Columbia has recog-

nized its potential impact and tabled a proposal through the energy and mines initiative to remove provincial sales tax on purchases of insulation. We hope this government takes similar action.

With respect to our second point, building code changes, it is time to review the codes to ensure our future construction effectively uses energy to meet our level of environmental comfort. It is important to ensure that construction catches up to building design for energy efficiency. The R-2000 program has given us cost-effective ways of maintaining a healthy and comfortable environment.

Recent public polling shows 88% support for changing building codes in Ontario to encourage the building of new homes with higher energy efficiency. This support crosses all political parties, age groups, income levels and gender. A sample of this poll is included in your handout.

Investment in increased insulation during construction will pay future dividends to the building owner and the province. The Honourable Dwight Duncan, at a recent Ontario conservation summit stated, "A kilowatt saved is a kilowatt we don't have to pay to produce."

It is clear that improving energy efficiency not only helps us meet our commitments but also has an immediate, positive impact on us and our families. Our industry is committed to energy conservation and will continue to work with all interested parties to ensure the building envelope maximizes energy efficiency and reduces greenhouse gases. Thank you very much.

The Chair: Thank you. The questioning in this round will go to the government.

Mr McNeely: Thank you for the presentation. I was in the consulting engineering business all my life, and I retired and became a councillor in the city of Ottawa. At the time, the new city was being formed. Coming from the old city of Ottawa was a better buildings program, which was very good and was an excellent program. I was the councillor attached to it, and it got canned in the first few months of the new administration.

I understand Toronto is doing a good job in the better buildings program, getting buildings retrofitted. Is there a register that shows how well municipalities are doing with their building code and with their better buildings programs to try to assist in the objectives that we have to face with Kyoto?

Mr Koch: I think there are two parts to that question. First, there's the new construction effort. The second is the renovation effort.

There has been a lot of activity coming out of NRCAN with respect to EnerGuide, checking out homes that are existing and trying to find better ways to heat and cool those homes. That program is being accepted by a lot of municipalities in Ontario, but it only represents currently, to my knowledge, about seven to 10 right now. That program needs to continue to expand, and I think it will.

With respect to new home construction, it is driven totally, at this point, by the home builders. As long as they meet building code standards, they do not have to

exceed those. The problem that we are seeing out there is that the consumers and the voters are not aware of this fact and, therefore, when they go to buy a new home, are sometimes shocked at what they're getting, because their expectation was that the building code was there to protect them, especially for energy efficiency and other things. That is not happening.

So municipalities are becoming involved in it, but at the end of the day, it's up to the builder and how they sell their homes and build it, as long as it's to code.

Mr McNeely: Just as a follow-up to that, if it's not happening—and I'm talking four years—in this city, there has been no movement toward changing the building code. It's just that, generally, I don't think we, as a nation, as a province, have been aggressive enough in moving toward the Kyoto objectives.

With housing, I believe it has to be at the municipal level. The province can offer carrots, of course, but where should that action be taken, in your opinion?

Mr Koch: The action needs to be taken from the top down. Municipalities currently are struggling to ensure that they have enough inspectors to inspect the homes that they're building.

You refer to the city of Ottawa here. The city of Ottawa, during 2000 to 2003, did not have enough inspectors to inspect the homes that were being produced. There were just too many homes, and the amalgamation made it more difficult.

I would hate to see it just left to the municipalities to manage. I think it is the responsibility of each government—federal, provincial and municipal—to take a leading role in it, to encourage the use of products that reduce energy demands. So my answer would be to all governments to take whatever steps they can in order to move it.

This provincial government has a great opportunity. They're being very proactive on the new energy sources front, but that sometimes lets them not look totally at the way of conserving or looking at the efficiency of use of energy.

The Chair: Thank you for your presentation.

Mr O'Toole: On a point of order, Mr Chair: I'd like to move a motion that the committee on finance and economic affairs recommend to the Minister of Finance that he strongly consider, in the 2005-06 budget, the elimination of PST on building materials that improve energy efficiency and conservation. This would include insulation and other building materials, such as windows and furnaces, that meet NRCAN and other industry energy efficiency standards.

The Chair: The motion is put. Provide a copy to staff, please.

The committee recessed from 1400 to 1406.

CITIZEN ADVOCATES FOR PUBLIC EDUCATION

The Chair: I would ask that our next presenter, Citizen Advocates for Public Education, please come forward.

You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr Tyler Meredith: Thank you, Mr Chair. My name is Tyler Meredith. Although I graduated this past year and am now attending university, my experience in the education system and my sense of duty as a citizen of this province compel me to continue advocating for the betterment of public education. My experience, both as a student and last year as a student trustee with the Ottawa-Carleton District School Board, and as vice-president of the Ontario Student Trustees' Association, has given me hands-on knowledge of the challenges still outstanding in our system.

I am presenting today on behalf of Citizen Advocates for Public Education, or CAPE. CAPE strives for a strong, well-funded and -managed public education system for Ottawa and Ontario by engaging the general public in the issues discussed by parents, teachers and officials. This is CAPE's first public appearance since its founding meeting seven weeks ago, following more than a year of development.

CAPE has identified two fundamental problems in Ontario's public education system: governance and funding. Our issue for this presentation is the funding formula.

The last provincial government left the education system with a funding formula that confiscates local property taxes and redistributes them according to a deeply flawed formula. That formula considers, *inter alia*, that space used in schools is fixed and frozen from year to year and that all communities are identical in composition and need. Since there is no such thing as an average board, this approach punishes all boards one way or another. The formula's failures have been starkly identified by the previous government being forced to commission the Rozanski report and by Mr Hugh Mackenzie's critique of the report's inadequacies.

Indisputably, the primary reason why money is not flowing into the classroom, even after Rozanski, is because of misconceptions that the true labour costs are built into the funding formula. Boards are funded for mythical average-cost teachers instead of the actual ones who are teaching in the schools. In the OCDSB system there is an accumulated funding shortfall that is over \$30 million this year—more than 5% of the entire budget. Teachers' benefits make up 82% of that budget, well outside the norm of personnel costs for an enterprise of this scope, even accepting that the people are the system's primary resource. For this reason alone, the remaining envelopes are more than 20% below where they should be. The untenable divide has been opened up because salary allocations have not matched the rise in the consumer price index and because teacher unions negotiate with local school boards, which incidentally must commit funds they do not have three to four years in the future.

School boards will always be disadvantaged as long as they, not the provincial government, negotiate with

teacher unions. The current arrangement flouts the principle of responsible government because taxation and spending are separated between two political mandates. A 2% allocation for negotiations in this current fiscal year will not redress years of fiscal imbalance. If the school board were a business, which it most definitely is not, a corporate effort to drastically increase revenues would unquestionably be the top priority. If any repair and reform is to be made possible, the funding formula must address the real needs and costs of public education.

Funding for special education, French immersion, libraries, English as a second language, school administration teams, building maintenance and the board's central administration have all suffered as a consequence. These shortfalls are particularly destructive in Ottawa: With its children's hospital, Ottawa not only retains but also attracts from all across the province children with special needs. With Ottawa's economic and cultural dependence on the federal government and the informatics industry, parents seek multiple-entry-point French immersion to ensure their children can compete for jobs in their home town.

Ottawa's high quotient of immigrants from developing countries, with many refugees among them, creates great demand for English-as-a-second-language education. Ottawa's rugged climate further places pressures on life cycle and capital replacement costs, and its rapidly changing community demands from schools and the board the ability to administer well.

1410

In special education, the board is \$10 million below pre-amalgamation funding levels. Many parents whose children need or use special education have a well-founded fear of the unknown, especially now that the intensive support allocation, or ISA, funding process has been abolished, with an outstanding 4,000 students awaiting assessment. That, by the way, is the equivalent of one or more special education student in every classroom in the city. Further, because of the money shortage, previous boards and their staffs discouraged or limited the assessment of children for whom they had no resources.

This issue points to two vital principles that must apply to the formula as a whole: All funding must be on the basis of identified needs, and all needs must be diligently identified in a timely fashion. I must say that the ministry made a commendable move to a needs-based analysis with its first draft of the revised transportation formula, where the pressures to change it represent not defects in the document but the scale of the other challenges faced by the province.

One particularly pernicious effect of the formula is the double or even triple taxation of parents. Parents pay fees for instructional events sponsored by the school. They fundraise for their children's schools to pay for goods and services that are definitely a public responsibility; these are textbooks, library books, sanitary supplies, gym equipment, and the list goes on. They also pay a sweat tax by cleaning, repairing and painting those schools,

some of which have remained unpainted for 20 or 30 years. Parents provide playground supervision and some in-classroom support. Not only is this unfair to the parents, but all these efforts raise major issues of legal liability. The worst effect, however, is that this double taxation is severely regressive, since schools' income is limited by the parents' ability to pay in either time or money. Bake sales and user fees can only go so far in a public education system, a system unlike any other in that it is supposed to offer universal accessibility, blind to family income.

These surcharges should be only for true frills. Anything that is a duty of the system to provide must be funded from the centre. A sad testament to the damage to the reputation of Ontario's public schools is that private schools have increased 10 times over the last decade or more. There are now far too many parents paying more in tuition per child than their total annual provincial tax bill because they have lost faith in the system's ability to perform well and to meet their children's needs.

We understand that the current government has been committed to repairing the damage wrought in the previous decade, as demonstrated by the increases to boards through the learning opportunities grants, or LOGs. We expect, however, that this was a short-term expedient while the damage was assessed. As a long-term measure, it compromises the validity of the LOGs themselves, permits the fundamental errors in the funding formula to persist unchallenged and forces boards into expedients that compromise public accountability. The government has recently addressed the accountability issue with respect to LOGs by insisting that all special-purpose grants be used only for those purposes. However, this only sharpens the necessity that the formula be properly overhauled to correct the previous administration's negligence.

Professor Gilles Paquet of the University of Ottawa's Centre on Governance has referred to a revolution in public accountability: Canadians do not accept governments hiding or muddying what they are doing. Transparency is vital to legitimacy, and high-handedness is fatal to political survival.

In education, taxes really are an investment. Every dollar spent saves seven in social, medical, police and correctional services. That investment also increases income tax revenue; drives down gambling, vice, alcohol and tobacco consumption; and contributes to general social harmony. In the past, the problem has been that these savings rarely pay back before the next election. What is needed now is the will and the vision to make those investments. Failure to do so depreciates and even strip-mines our human capital, the people of this province. Mr McGuinty has said that we cannot hang our hopes on the future if our future is hanging out at the mall. The first step is to ensure that our future invests in our students and the educational system to ensure that they stay in school.

Therefore, to summarize, CAPE recommends the following specific actions of your committee:

(1) Revise the funding formula to be truly needs-based, recognizing the specific needs of both students and their community.

(2) Fund the formula fully to end the sweat tax on parents.

(3) Put special emphasis on the adequacy of special education and second-language instruction to ensure that all students have equal access to the opportunities afforded by the education system.

(4) Ensure that boards are fully funded for the labour contracts they sign.

(5) Make specific allocations for maintenance and administration to ensure the health and safety of both the staff and students in the system.

The funding formula states the government of Ontario's vision of what it considers an adequate education in today's challenging and competitive environment. A flawed formula demonstrates a flawed vision. An effective formula is a key element for your ongoing credibility. If it is clearly based on actual needs, it will justify the legislative measures required to make it happen. Left unaddressed, the current funding formula will condemn Ontario's public education system to irreparable mediocrity and continued decline, and we will continue to be Mississippi with snow.

Public education is expensive because it is the best start we can give to a new generation who must venture into the unknown without us. Further competition for a grossly inadequate ration of funds will not solve the system's problems, for everyone succumbs to starvation in the end. If the goal in education is excellence, as our Premier says, then we have to pay for it, and 55% compliance with Dr Rozanski's inadequate recommendations is not enough; it is barely a start.

The Chair: Continuing in the rotation, the questioning will go to the official opposition.

Mr Barrett: Thank you for your spirited presentation on behalf of the Citizen Advocates for Public Education. As you indicated, the Liberal Party did make a promise in the last election to reinvest in education, a promise to revise the funding formula and to implement, certainly, key recommendations of the Rozanski task force.

This will be the second budget of the present government. Apart from testifying here, does your group feel that it is having an impact? Are you plugged into other organizations across the province to try to make your points and to get things across?

Mr Meredith: I can only answer that by saying that we've been in operation as a current organization for seven weeks. Many of the people involved in our organization have been involved in other, different education advocacy groups. In that respect, we are very well connected with different organizations across the province. You will probably see further advocacy efforts from us as we move forward to the budget.

Mr Barrett: We've had a number of delegations from various teacher unions. This morning, one of our presenters indicated that they had attended a Keep Your Promises rally at Queen's Park. As we get closer to the

budget, or perhaps as we get closer to warm weather, I don't know whether there are any other initiatives like that being planned. It's fine to testify before this committee. We have a number of people in the audience; sometimes two or three and sometimes half a dozen. I just wonder if there are any other tactics or strategies that you're looking at, bearing in mind that you've been in existence for seven weeks.

Mr Meredith: I would only say to that that a core principle of our philosophy is to work constructively with the government, whomever that government may be. We'll be looking at a number of different options. I can't speak for the board at this point in time because we have not necessarily bridged all of that discussion yet of what we want to do.

Mr Barrett: As you've indicated in your recommendations, much of the cost of education is the human resource component. That's the bulk of the budget. As with hospitals, as we've heard earlier, boards in Ottawa are constrained by the amount of resources they have. Have you had time to do any investigation with respect to streamlining or allocation of money elsewhere from a board? Is there a better way? You said governance was another important area that you've been working on; you didn't address that. Do you see any new role there in restructuring or a better way of doing business?

Mr Meredith: It's not really that we can find any more money within—and I can only speak of the OCDSB, of which I have a lot of intimate knowledge. We have a finite number of resources that we're provided by the province. In the past, the OCDSB has made a great effort—and I'm not trying to speak for them—to try to increase user fees and to look at secondary sources of income that it can bring in to supplement the \$12-million disparity that currently exists for this fiscal year between what we receive for labour costs and what we are actually paying out.

If you're not aware of the history of the OCDSB, the board has been in a very untenable position in the past, having to deal with cutting back programs in many other areas to make up these huge costs. If you look at the city of Ottawa, for example, it spends 82% of its budget on labour costs. Statistics Canada reports that the average business spends about 60% on labour costs. We're spending 82%. That's totally untenable. It's not a question of reallocating resources, because ultimately that money is coming out of the classroom and it's hurting education excellence. So we just need more money. We need to fully fund Rozanski. That's the first step.

The Chair: Thank you for your presentation this afternoon.

1420

OTTAWA COMMUNITY IMMIGRANT SERVICES ORGANIZATION

The Chair: I would call on the Ottawa-Carleton immigrant services organization to please come forward. Good afternoon. You have 10 minutes for your presen-

tation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard, and then you may begin.

Ms Luz Maria Alvarez-Wilson: My name is Luz Maria Alvarez-Wilson. I am a new immigrant and director of OCISO.

Ms Jennifer McKenzie: My name is Jennifer McKenzie. I'm co-chair of CAPE, the previous presenter, and I am here as well as a member of OCISO to present with Luz Maria.

Ms Alvarez-Wilson: Canadian columnist Jeffrey Simpson recently wrote: "Immigrants are quite literally tomorrow's Canada. In the global world of tomorrow, the winning countries will be those that put their policies and money into human capital development." It is good that Mr Simpson took on the issue of immigration, since hardly anyone is advocating for the rights of this important sector of our population, particularly when it comes to policy planning.

There are many areas affecting new immigrants, but perhaps the key one is education. Jennifer McKenzie and I will discuss with you some of the issues related to education and immigration in the city of Ottawa and present you with some recommendations that were drawn from the discussions we had with the different organizations we represent today.

According to a publication of December 2004 from the Social Planning Council of Ottawa, entitled *Immigrants in Ottawa*, during the last decade immigration to Ottawa almost tripled from previous decades. It went from 11,890 in 1981-90 to 32,355 in 1991-2000. Presently there are more than 168,000 immigrants living in Ottawa. In previous decades, significant numbers of immigrants came from the UK and the US, compared to today's top five countries of origin for more than 50% of immigrants: China, Somalia, Lebanon, Caribbean states and the former Yugoslavia. These numbers and data mark a fundamental change in the demographics of our city and the services they need, particularly in language training.

According to the same publication, there are 12,375 immigrant children aged zero to 14 years in Ottawa; 11,360 are recent immigrants, and a substantial number of them require ESL training.

Ottawa features by far the largest share of refugees among its newcomers. The average annual share of refugees among those intending to settle in Ottawa has been 29% over the 1997-2002 period, compared to 11% in Toronto, 10% in Vancouver and 19% in Montreal.

The family reception centre of the Ottawa-Carleton District School Board assesses over 1,000 recently arrived school-aged children each year for enrolment in ESL classes. There are 9,000 elementary students identified by their schools as in need of second-language learning, including non-recently-arrived immigrants, but only 2,581 qualify for funding. This represents almost 20% of the approximately 46,000 elementary-age students in the Ottawa-Carleton District School Board. At the high school level, 650 have been identified,

although this may be underrepresented because they are not counted after they have completed their ESL courses.

Despite there being almost 10,000 students identified as requiring language training, the provincial government provides funding on the basis of fewer than 3,900 ESL students. Even so, it is not mandatory that this funding be used for ESL.

At the high school level, only nine of 27 high schools offer ESL programming, so students are not always offered ESL classes in their home school and must travel to other schools, creating another burden on the family. There are only 15.5 full-time teacher equivalents for ESL board-wide, plus two more provided by the international students program. This means that often courses are not available when students need them and they are being made to wait, sometimes delaying their schooling by up to a year.

The government of Ontario recently increased to four years from three the eligibility of ESL to students, but this is still nowhere near sufficient when most Canadian and international studies conclude that in order to have proficiency in a language, a minimum of seven years of full immersion is required.

According to the Ministry of Education guidelines for instruction of ESL in Ontario published on the ministry's Web site: "Second-language learners need access to their first language as a tool for learning and thinking, at least until they are sufficiently proficient in the second language to use it for a wide range of academic purposes. The first language is the foundation upon which English proficiency is built."

Clearly, these guidelines are far from being met. ESL students in Ottawa not only do not have an introduction to English in their own language, but they also lack a variety of instructional resources such as visual materials, simplified texts, bilingual dictionaries etc to help them succeed in language training.

Unable to help their own children achieve a satisfactory academic development in literacy, many members of ethnic communities are forced to look for alternatives outside of the school. Private tutoring agencies are springing up for new immigrant children to learn how to read and write, in detriment of their family budgets.

Additionally, teachers increasingly report the presence of Canadian-born students whose language at home is other than English—allophones—and who need to be identified or classified as students with special needs because of their inability to read or write well in English but who are not eligible for ESL support. This creates a difficult situation for teachers who cannot deliver the services that these students need and for parents who do not want their kids to be labelled as students with special needs.

Because youth is more vulnerable to drop out of school if academic development is not achieved, not only could they become an economic burden to society, but it also increases the risk of violence in our communities. Programs such as literacy and math tutoring,

mentorship/leadership, counselling, peer mediation and conflict resolution, and cross-cultural education become essential in our schools.

I'm going to pass it on to Jennifer.

Ms McKenzie: I'm going to outline our recommendations.

The first one is to address the needs of language-needs children. Similar to special-needs children, the rights of language-needs children should be protected. Because the needs of each immigrant community are complex and variable, coordination and control over delivery of language instruction should be provided locally, using existing expertise and close ties with the communities. The needs of immigrant, allophone and other groups at risk of not meeting their education potential because of linguistic barriers must be addressed. Appropriate instruction and follow-on development must be given, as well as providing continual assessment until linguistic barriers have been successfully removed.

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Research is also needed to measure the performance of ESL students and the effectiveness of language program delivery. The province-wide EQAO assessments in our schools clearly indicate an important gap in achieving standard levels of education, with most low-scoring boards attributing the results to the higher proportion of ESL students in their schools; even though parents of immigrant children have a higher average education level than the average Canadian. How are other cities handling education for new immigrants? Is there a system for sharing data and best practices?

Recommendation 2: sufficient, flexible and dedicated funds. Additional funds destined for ESL programming must be provided and must meet the intended destination and not be permitted to be diverted to other priorities. They must be sufficient to meet all the needs of all the students facing linguistic barriers, with enough flexibility so that local solutions can be implemented to meet the specific needs of students and their communities.

Because the immigrant population arrival count has approximately tripled in the last decade, because the nature of the immigrants arriving has changed, because language has become even more of an issue and because funding for ESL has been slashed in the same decade, we're expecting that funding for ESL in Ottawa should be at least tripled—probably more.

Recommendation 3: provincial, federal, municipal and board level co-operation, not finger pointing. The Ontario government should negotiate with the federal government to increase funds made for settlement services through Citizenship and Immigration Canada, and it should negotiate that part of this allocation be made available for ESL education and support. It is ironic that the federal government currently supports language training for adult immigrants but not for their children.

Currently in Ontario, the per-arrival settlement budget is approximately \$800, compared to \$4,000 in Québec. When the Ministry of Citizenship and Immigration appeared before our committee in May 2003, it indicated

that immigration settlement costs approximately \$3,000 per individual.

Recommendation 4: increased staff training. All teachers, principals and other front-line staff should be given mandatory training in ESL and other immigration issues, bearing in mind that 9,000 elementary children identified as second-language learners by schools comprise close to 20% of the elementary school population in the OCDSB. We recommend the reinstatement of a fully funded multicultural liaison program tailored to meet specific needs of individual ethnic communities and to better meet the Ministry of Education's own guidelines.

Recommendation 5: reinstatement of ESL summer programs and youth programs. The OCISO Rainbow Skills Development for Newcomer Youth summer ESL program aspires to help refugee and immigrant youth. The Ministry of Education must additionally provide ESL summer and after-school programs for the school boards and community organizations such as OCISO across Ontario so that thousands of newcomer students can continue to learn English during the summer time.

Thank you. There is much more to be said, but I'm trying to keep it to our 10 minutes.

The Chair: You did very well. Thank you for the presentation. This round of questioning will go to the NDP.

Mr Prue: A number of questions: When you talk about refugees on page 2, are you talking about refugee claimants or people who have been found to be refugees, recognizing that there's a fundamental difference?

Ms Alvarez-Wilson: This is actually data that was given to us by OCISO. At this point, we cannot clarify on the status that the refugees have.

Mr Prue: Can you outline to me why the number of refugees coming to Ottawa is much higher than to other cities?

Ms Alvarez-Wilson: We were trying to speculate on that. There's no specific information regarding that, except for the fact that maybe they think that, being in the capital city, the processing of the documents will be faster.

Mr Prue: But that's not in fact the case.

Ms Alvarez-Wilson: We don't know. We don't know the facts. We asked that question to OCISO, but they didn't have any specific information. It's just a fact that they are here.

Mr Prue: All right. You went on to discuss on later pages that the immigrant population arrival count has tripled in the past decade and that the immigrants in fact are changing. There's no question about that, because the family-class application, the old assisted relatives, is gone. Now it's people based on points, if they are in fact immigrants and not refugees.

Is there some other reason that the number of people coming to Ottawa has tripled? In Toronto, where I come from, we take more immigrants than any other place, by far and away. Although the numbers are fairly static, 60% of all the immigrants who come to Canada come to Ontario, and more than half of those come to the GTA. Is

there some reason? Are they coming here for employment opportunities?

Ms Alvarez-Wilson: Again, I'm going to be talking on a personal basis, because I am a new immigrant myself, and I know from several people who have asked me about their interest in coming to Canada. They think that Ottawa is the perfect city to live in. Part of it is the marketing that Ottawa has been doing, declaring itself the best city in world, as declared by the UN. So it's the marketing of Ottawa, I believe.

Mr Prue: On that same page, under recommendation 3, you talk about the settlement budget being \$800, compared to \$4,000 in Quebec. In large part, that's due to the fact that Ontario is the only place that has never signed an immigration accord. Quebec has its own grid for picking its own immigrants. They have their own visa officers stationed abroad, and they spend infinitely more money making people acculturated and teaching them in schools and things, especially in the French language. Are you advocating that Ontario follow a similar pattern to get the \$4,000; that is, setting up visa offices and all the things Quebec does to get that amount of money?

Ms Alvarez-Wilson: That's right; that is the point. It already costs \$3,000 per immigrant, according to the federal Minister of Immigration. We can only imagine that those funds need to be managed and given to the immigrants.

There were some other statistics that we didn't mention in our report as to the amount that the federal government is collecting from each immigrant compared to the amount that they spend federally, giving it to the provinces. It is only fair to go for federal-provincial negotiations in this regard.

Mr Prue: You want Ontario to get into the same thing that every other province has done and to get its fair share of money, even if that includes doing everything that Quebec does.

Interjection.

Mr Prue: I know, but Quebec does it, and that's why they get \$4,000. No, you can't ask for \$4,000 without doing that.

Interjection.

The Chair: Order.

Ms Alvarez-Wilson: We're asking to have an increase to at least \$3,000. Whether negotiations come about or not, obviously we are volunteer parents. We are volunteers in the organizations we represent. We definitely don't have the authority to speak on these matters, but our opinion is that it is misfunded and we need to allocate more funds if we are to have a vision for tomorrow for Canada.

The Chair: Thank you for your presentation this afternoon.

ONTARIO MUNICIPAL
SOCIAL SERVICES ASSOCIATION

The Chair: I call on the Ontario Municipal Social Services Association to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There may be five minutes of questions following that. I would ask you to identify yourself for the purposes of Hansard.

Mr Dick Stewart: My name is Dick Stewart, and I'm a past president of the Ontario Municipal Social Services Association. On behalf of that association, I want to thank you for the opportunity to present to this committee this afternoon.

OMSSA firmly believes that the first order of business as the government proceeds in the process of developing a budget would be to address the social condition. There is sound evidence, both internationally and nationally, that a sound social policy and social investments drive prosperity. They drive economic health, and in fact these are investments that pay off.

We are pleased, actually, with some of the latest initiatives that the government has taken with respect to social investment. Particularly, I want to address the holistic approach that's been taken to children's services, child care and to the beginning of changing some of the crazy rules in the Ontario Works program, the social assistance program of Ontario.

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Investments in people are investments that are long-lasting and make profound changes in people's lives that last for generations. Investing means there's more work to be done—even though I've been complimentary to the government—and investing here means investing in children's services, in housing and homelessness, and in income security.

I want to start first of all by addressing, what is OMSSA? The Ontario Municipal Social Services Association is the collective voice of the staff of social and community services departments across Ontario at the municipal level. By statute, municipalities are referred to as consolidated municipal service managers, or CMSMs.

Now I want to get back to our specific asks. The overarching theme that OMSSA presents this afternoon is that investing in a strong social infrastructure and reliable services addresses that most fundamental of issues this government faces, and that is the social determinants of health. We recognize that health care is consuming an inordinate amount of the economic capacity of this province, and we believe that social investments over time will help to address those costs.

We ask the government to keep in mind a few key points as they proceed in their budget development:

First, it's important to recognize that addressing social infrastructure requires a coordinated, multi-faceted and integrated public policy approach. One-offs in this kind of work do not work well.

We would ask the government to also recognize that poverty reduction—real poverty reduction—is the foundation to addressing those social determinants of health. Simply put, without being too melodramatic, poverty kills. Reducing poverty will deal with the social determinants of health.

Finally, in terms of overarching concepts, a strong, vibrant society, both economically and socially, must be

predicated on a level of investment that ensures that children across this province have the very best start they can have through early learning and child care opportunities.

To the specifics: In terms of early learning and child care, OMSSA does congratulate the government, as I've said, but there's further work to be done. We support the government's intent to follow through with what's referred to as the QUAD principles in the development of the new child care program. Those principles are quality, universally inclusive, accessible and developmental.

We encourage the government to ensure that the new dollars being put into this program are used to directly support programs, rather than funding individual families through such measures as tax credits.

Now, there's a delicate point here; that is, in order to access the new federal dollars that are available, the CMSMs we represent are being asked to contribute \$80 million in this fiscal year. Those CMSMs, through OMSSA, are asking that the provincial government put an equal share of new money on the table to support the development of this most essential service. Furthermore, we ask that the CMSMs be consulted on a critical issue with respect to child care, and that is that some of these new dollars must go to stabilize the existing child care system. It is in tatters and needs to be restored and stabilized. There are some pressure areas, and every one of those pressure areas has been identified in the child care service plans that have been produced by every CMSM, according to statute.

Secondly, we want to think about increased economic security; that's our second ask. Income security is ensuring that every individual in the province has the resources necessary to fully participate in this society. We have three main recommendations here:

We would ask the government to consider the introduction of transitional benefits to remove the disincentive to leave social assistance or to provide an incentive not to return. Recidivism in the social assistance program is a real issue and one that no government actually has caught up with, or to deal with. We're asking that some consideration be given to that.

These measures, these transitional benefits, would include a menu of supports tailored to the individual needs of certain ex-clients. We believe it could cover such things as health benefits, drugs, dental and vision care to low-income earners, and assistance with transportation or child care or special clothing and others.

Next, we believe that the earning exemptions policy of the current Ontario Works program needs to be changed, and changed quite dramatically. It is currently at a very high tax-back rate and it is very complicated. We are recommending that the government consider moving to a flat 50% rate of exemption, with no time limit, to support people and encourage them to return to work.

The third ask in this area is the largest: We're asking the government to begin immediately to propose a phase-out of the NCBS clawback, the national child benefit supplement clawback. You all know that that's being

clawed back from social assistance families, and what this really does is entrench child poverty. So we're asking that the government consult with both AMO and OMSSA in order to ensure that this phase-out can start and, at the same time, that the community reinvestment program that is being funded through the clawback be sustained in some manner.

The third area I wish to speak to is improvement and solutions to dealing with homelessness and social housing—an increased investment. OMSSA would like to see more funds dedicated to ongoing social housing and initiatives to address and support needs of homeless people. We are asking for the government to live up to its promise to match the federal contribution of \$25,000 per door for new housing stock.

We are also asking the government to consider the introduction of an annual cost-of-living adjustment to the rent supplement program. We are pleased that the government has seen fit in the last budget to create an annual amount for rent supplements and to guarantee that amount to the year 2023. Inflation does march on, and the buying power of those rent supplements, that amount of money over time, will dissipate. It needs a COLA clause. In fact, we need more rent supplements with a COLA clause.

It costs between \$90,000 and \$100,000 per door to create a social housing unit. So with the federal government's \$25,000, with the provincial government's \$25,000—we hope—it leaves the CMSMs with the requirement to raise an equivalent of \$50,000 of capital, or thereabouts. To create truly affordable social housing units, we will need the rent supplement program with a COLA in order to proceed with this most important of social programs.

Finally, with respect to housing, we would like the provincial government to consider the creation of a capital reserve endowment fund. We would like the government to consider putting an initial \$10 million into this fund in this fiscal year. This fund would be intended to maintain the capital investment required to maintain the existing housing stock across Ontario. We believe that this \$10 million and an amount every year thereafter can be found in the annual operating surplus from the provincial or federal flow-through monies that are available in the housing program. It should not require new taxation to do this.

A fund like this would recognize the need to reinvest in existing stock and be a major signal to the municipalities to get on with it and to sustain that stock, which is now their responsibility. We would like the CMSMs to be consulted on this matter because a fund like that can address local needs that have been identified.

We want to thank you for the opportunity to come before you, and I am here to answer questions.

The Chair: Thank you very much. This round of questioning will go to the government.

Mr Wilkinson: Thanks so much for coming in today, on behalf of all of us here. Your membership represents the people; it's where the rubber meets the road. You're

the people who actually have to deal with it. We're up here allocating, getting money in and sending it out, but you're actually dealing with the people on the front line. I think all of us here on the committee appreciate the work that your members do, and I want you to take that back to them.

Mr Stewart: Thank you.

Mr Wilkinson: I appreciate your last recommendation about how OMSSA would like to have a closer working relationship with the government. I think we would all say that in our job, people come to us with problems all the time, but the people who go to the front of the line are the people who come with solutions, because that's what we're desperate for: solutions that make sense.

Are you aware of the work that the parliamentary assistant to the minister, Deb Matthews, did, and her report? I'm assuming you think it's probably going in the right direction.

Mr Stewart: Yes, we do.

Mr Wilkinson: Specifically about that issue of people bouncing back, the recidivism, where you have a disincentive to get off because you lose your drug and dental and all those supports and how do you have a system that supports people as they transition back, if they can, and not have a disincentive, but not set up a situation where someone could abuse that in the sense that if there were always those supports available someone would say, "I should go on for a couple of months and then I'd be in a preferred line that would always allow me to keep these benefits that my neighbour couldn't," and then there would be an injustice.

Do you have any suggestions about how to come up with an equitable way to bridge that gap?

1450

Mr Stewart: Just on the first comment you made about OMSSA working with the government and its staff, there are lots of working groups with community and social services right now that OMSSA is participating with, specifically on implementing some of the parliamentary assistant's recommendations. So that's actually going on.

With respect to your specific question about ensuring that there's integrity, if I can use that terminology, I think that the Ontario Works program with its current rules and even those proposed amendments is a program where there is an incredible amount of integrity. One has to actually demonstrate impoverishment to be eligible. There aren't going to be very many people able to do that simply for the reason of staying on for a couple of months so they can drag some transitional benefits into a job. That's not likely to happen in any large numbers, because the kind of interrogation that goes on, if I can use that term, to become eligible for assistance will, even with Ms Matthews's recommendations, remain vigorous and ensure integrity in that program. So I'm not concerned about that, but I do think that you've raised an interesting point.

The Chair: We have two minutes left.

Mr Wilkinson: One of the things the minister asked us to do is to focus on trying to have a relationship with

the federal government. In my own riding, we're struggling with the question of social housing, the federal money and our inability at the moment fiscally to pick up that difference and get to the point—the promised land—where we need to be. Even you have explained how that's not sufficient. Particularly rural communities—my neighbour the member from Huron-Bruce and I both deal with that—have geographic issues of distance in trying to get the numbers right to have social housing, to build new stock.

I'm interested that you're saying you think there's money available in the transfer payments to create this capital reserve endowment fund and it wouldn't cost us any money—which, of course, is a wonderful idea. Could you please help us so we can be very clear with the minister about your recommendation?

Mr Stewart: Well, I'll preface my comments by saying I'm not a housing expert, and particularly not a housing finance expert. But my understanding is that in the past few years, because of the very beneficial mortgage rates etc, there have been surplus dollars in the housing programs that have been managed by municipalities in the provincial flow-through dollars and indeed the federal dollars that flow for the federal housing stock. Our evidence, based on the advice we receive from housing experts, people who know how this works, is that there would be sufficient funds to endow that fund. This is a proposal that's also being put forth by the social housing services board. They believe, conceptually, in the same model.

The Chair: Thank you for your presentation this afternoon.

DISABLED AND PROUD

The Chair: I now call on Disabled and Proud to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourself for the purposes of Hansard. You can begin.

Mr Charles Matthews: Charles Matthews, president of an organization called Disabled and Proud, located in Ottawa.

I thank you, first of all, for hearing from me today. From what I understand, there are many organizations that wanted to speak but unfortunately, due to time constraints and everything, certain people were selected. So I take it as a great honour to be selected to speak today.

I have one disadvantage: I'm following a person who, in the city of Ottawa, has been an icon and was told, when he retired, that his would be the toughest shoes to fit, if they can ever be fit, and that was Dick Stewart. So I take the honour of applying after that.

I also want to thank Dick for helping me out on a couple of issues. First of all, my speech was going to be about 20 minutes, and I didn't know how I was going to fit it in. But he covered quite a few of the aspects of

Ontario Works. I'll be talking about the Ontario disability support program. In regard to that, it basically echoes most of the items that Dick already brought up for Ontario Works.

Who we are: Disabled and Proud is an organization that deals with all three levels of government to work at making life fully inclusive for all those people with disabilities and accessibility issues. We've done a lot of work with the municipal level. We're also doing a lot of work at the federal level. We filed, in May 2002, a framework for a Canadians with disabilities act. We're hoping we get some progress on that at the present time.

At the provincial level—how can I say this?—we're basically the voice of David Lepofsky but in the Ottawa area. David Lepofsky is doing a great job in Toronto, and everything that he's done we basically echo. In our publication, which you have before you, we even put a lot of his excerpts in regard to this. He's doing a great job. The only difference we have is that we take it one step further and actually implement some of the decisions that have been made.

I take great pride in actually being one of the first groups to actually apply the ODA, 2001, in a court case. It was in regard to the school board for inclusion, with the Zachary Bonnah case. Zachary's now back in school, doing better than he ever anticipated in life. Just on one note, as an example: If Albert Einstein was born today, in our society, he'd be put in a place like Clifford Bowey school, because he was deemed to be unteachable.

With the federal government, we had the pride of reshaping Parliament Hill in 2001. They tore up sidewalks, put in new curbs, put in new sidewalks and made it a lot more accessible. We were supposed to do the inside of the buildings, and September 11 came along. Unfortunately, everything was put on hold. In 2002, we started the interior of the buildings on all aspects, but we were asked to keep it for visitors. What happened at that point was, we had just had a recent federal election, and I got a call the next morning from the property manager at Parliament Hill who said, "We've got to get the House of Commons in shape." So we're the group that reshaped the House of Commons and parliamentary procedures for Mr Steven Fletcher.

At the municipal level, we've worked with redesigning sidewalks, with the OC Para Transpo contract. We accessed the "free for wheelchairs, scooters and walkers" on buses. We worked with bringing accessible taxis into town; the CCAC review; and the Ottawa Community Housing Corporation, formerly City Living and Ottawa housing. We helped set up, with Madeleine Meilleur at the time, the accessibility advisory committee.

What I'm about to address you on today are three different issues, and unfortunately, one of them, I was hoping, with all the school boards presenting, they would have covered. I'm the only member who is not part of the school board who sits on the accessibility planning committee for the Ottawa-Carleton District School Board—I sit on seven different boards. On this one, in particular, there are a couple of things I'd like to address. In the

ODA, 2001, and in Bill 118, presently under second reading, on which I'll be giving a presentation on February 8, money should be set aside in reserve in this budget for the upcoming ODA, 2004. There also should be money set up in regard to being in compliance with the ODA.

1500

I'd like to use the example of "free for wheelchairs, scooters and walkers" on the buses. The reason I'd like to use this example—I know that it's municipal, but it's going to provide input on what we're looking at here provincially. The city of Ottawa always had a tendency to take a look at what fares they were going to lose; in other words, the ticket or the cash fare of \$2.50 for those people who would be taking the low-floor buses free of charge. What they didn't take a look at was the whole picture. The actual cost of providing a trip on Para Transpo is \$25, using the city's own figures. Minus the \$2.50 in lost revenue, the saving to the city was actually \$22.50 per trip. So by implementing this program, the city is now enjoying approximately \$1.5 million a year in savings from these people who are opting to take the low-floor buses over Para Transpo.

I'd like to take this instance to touch on the ODSP issue. Right now, people on ODSP get a grand total of \$414 for rent, and, coming up in the next couple of months, a 3% increase of \$12, so a maximum of \$426. There's no possible way in any part of the province, let alone Ottawa, that you're going to find rent for a single person at those amounts. As a matter of fact, here in the city of Ottawa it's \$728.

What you have to take a look at is the whole picture. In 1993, hardly anybody on ODSP used social housing. They didn't need subsidized rents. The rent was somewhat comparable to market rent. Today, you have no choice but to live in subsidized housing. There's no way you can get rent for less than \$414. What this has caused is that a lot of people who are on disability have to live in subsidized housing or go on the waiting list. Those who, unfortunately, are not on subsidized housing have to spend almost their whole cheques on just their rent, never mind anything else.

What we'd like you to take a look at is the whole picture. Who subsidizes the landlords for the rents? The province. We're asking you to take a look at the whole picture: What are your actual costs in the end? Wouldn't it be a lot easier to just make one payment, to a maximum of \$748, and let people have a choice in where they live and how they can live? Then you wouldn't even have to deal with that. Just imagine how the waiting list of 12,000 people in this city would be diminished. There will be hardly anybody left on those waiting lists—another headache gone. There would be a lot of improvements. That's just with the rental portion. Dick has already talked to you about the other portions: the cost-of-living areas, the drugs and other benefits.

My last point: For the ODA, very basically, we want to see reserves set up. In 2001, there was no money put behind it in any way, shape or form. What you'll find is

that 99% of all the things the disabled are asking for—if you take a look at organizations like ours and others, they'll show you that it actually doesn't cost the province a cent to implement almost anything the disabilities act is asking for. There are always ways of getting the funding or showing a way that it doesn't cost anything. Once the ODA is put together, what you'll find is that most businesses will be thanking you for actually saving them a lot of money; we already have that. As an example, there's one Quebec storeowner who didn't realize that by putting in a ramp—when he gets his beer deliveries, which we don't have in Ontario yet, it's now a lot easier. You just wheel them in.

Take a look at the hotel here. I was sitting outside—I have a bad habit; I still smoke—and as I looked inside the hotel, there's a ramp right in the main lobby. Almost every person who had luggage on wheels was using that ramp. It's a lot easier than using the stairs. And guess what? It costs you a lot less to put that ramp in than it does to put in the stairs to start with.

I thank you for your time. I'm going to wrap up. Very basically, please take these things into consideration when considering the next budget.

The Chair: Thank you for your presentation. I was going to give you a 30-second warning. The next round of questions will go to the official opposition.

Mr O'Toole: Thank you very much, Charles, for your presentation and for your dutiful vigilance of all the levels of government. It sounds like you're the eyes and ears of the federal, provincial and municipal levels of government.

There have been initiatives, as you said, by the government, following up on the work done under Bill 125 by Cam Jackson. I know you were part of that process.

I just want to get down to specifics, not with respect to the hearings that will take place on the current Ontario disabilities act but dealing with the amount and the rents. That is a real, on-the-ground, everyday challenge, and you did offer what you thought was a straight flow-through, I understand.

How do people cope? I'm being quite genuine here. You were saying that the basic average rent is \$728 and you get \$426. You've got a shortfall of around \$300. How do people do that? I know it exists, but how do you deal with it? That's the issue.

Mr Matthews: You don't. Very basically, what you'll find most people doing—here's another example: What happens is you have to take all of your cheque, or a majority of it, and pay your rent. So if a person is receiving the maximum allowance of \$930 and the rent is \$830, they've got \$100 for everything else. Now, what this also does is put pressure everywhere else.

The number of people on disability who are now visiting the food banks is unprecedented. They have to rely on the food banks. They have to rely on all kinds of programs out there. It's snowballed to a point that it's almost non-existent. If a person is lucky enough to have subsidized rent—and I say "lucky" with a cold voice, because you don't have a choice of where you live.

You're in situations sometimes that you should never be in, because you can't work or you can't subsidize your income. It's just deplorable.

The quick answer to your question is you can't really cope, and this is where more and more people are having a lot more problems, because almost all their money has to go for their rent. There's a famous saying among all the different groups around here: Either pay the rent or feed the kids. Well, in this case, we don't even get to feed ourselves properly.

Mr O'Toole: Some of the points you make have been made by, as you said, Mr Stewart, the previous presenter, who made similar arguments of the determinants of health, whether it's physical or mental. I don't differentiate because a lot of it is income-driven or economic-security-driven. I guess all of them have mentioned the importance of shelter—that's why I asked that question—having the stability of a place that's your own, a place to go. Do you feel confident that the current government is addressing it adequately? I think they've given a small increase in pay. What advice would you give this committee specifically that the government should take action on?

Mr Matthews: I believe the 3% cost-of-living increase is adequate, provided that you go back and fix the base. In other words, go back, fix the base to what we need and then add 3% per year for following years. That's already been in one of our past publications, and it's all out there for everybody to see.

The thing is, though, we have asked for a cost-of-living increase for eight years. I've got to give the current government a pat on the back for saying we at least have that. We've hadn't had a cost-of-living increase since 1993, and now we are starting to get one. We need more help. There you go.

The Chair: Thank you.

Mr O'Toole: I'd just conclude by saying that we've heard from the government that there's more coming, and I'd expect that's a positive—

Interjections.

The Chair: Thank you. Thank you. We appreciate your presentation this afternoon.

Interjections.

The Chair: Order, please. It's my understanding that the next presenter is not present.

Interjection.

The Chair: Order, Mr Colle. It's my understanding that the 3:15 appointment is not here, but our next presenter after that, Family Services Ottawa, is present, if they would come forward.

1510

Mr O'Toole: In the meantime, Mr Chair, I have a very small administrative matter. I would like to request, further to the discussion we had yesterday, I believe, on the delegation from AMO, that we also add to the optional list of where they could present the city of Whitby, which I believe is the last day of hearings.

The Chair: You're asking for unanimous consent?

Mr O'Toole: Unanimous consent.

The Chair: Do we have consent? Carried.

Mr Prue: And there's a space? We're not displacing anyone?

The Chair: No. We would not displace anyone.

Mr O'Toole: Thank you, members of the committee.

FAMILY SERVICES À LA FAMILLE OTTAWA

The Chair: Good afternoon. I appreciate your waiting to allow us to do a little bit of housekeeping business here. You have 10 minutes for your presentation. There could be up to five minutes of questions after that. I would ask you to identify yourselves for the purposes of Hansard, and you may begin.

Ms Christina Marchant: I'm Christina Marchant, the director of community programs at Family Services à la famille Ottawa, and this is the chair of our social justice committee, Sheila McIntyre.

Ms Sheila McIntyre: What we're going to do in our presentation is, first, set some context based on our experience, and Christina and I will share the presentation. Following that, we'll make some specific recommendations from our experience.

To begin, what do language barriers, wheelchairs, four children to feed and three part-time jobs all have in common? They are all part of the daily challenges faced by Ottawa's families. For almost 90 years—we have been around for a while—Family Services à la famille Ottawa has been helping individuals and families at risk or in distress. We help them to attain greater health and well-being. We help improve their coping skills to achieve their potential. We do this by providing counselling, education and advocacy services.

In recent years, some of the other challenges we have observed among Ottawa's families include parents who are burdened by multiple demands of work, child care, and elder care; they are struggling to balance it all. Specifically, we have same-sex families and single-parent families that face exclusion from family policies that have been designed with a more traditional family paradigm. We have immigrant parents who feel isolated by Canadian mores that challenge their traditional roles in the family. We have elders who are a growing group of Ottawans who face loneliness, sickness, poverty and uncertainty of care in their older years. As a volunteer board member, I can tell you that my own family experiences some of these things. Despite being upper-middle-class and avant-garde and supportive, these things still happen, and we need to be aware of them. And yet in October 2004, Family Services à la Famille Ottawa was forced to announce the cancellation of the only senior peer counselling program in the entire city due to lack of funding. We know that 23% of children and youth in Ottawa live in poverty.

It is in this context that Ontario is deliberating another very important budget. Changes to provincially offered and supported services must consider the impact on all families, but especially those who are most vulnerable.

Over the past few years, our citizens have seen a steady and dangerous increase in levels of stress. Isolation, hopelessness, a shrinking social safety net, unhealthy environments, insecure work environments and poverty are all acting to diminish the capacity of the family.

We recently had a presentation at one of our board meetings by our intake officer at Family Services. It left all of the board members shocked and, frankly, depressed, because we hear of these issues generically, but we got to hear about 15 very specific stories of the types of desperate situations people call in. We know that we are not always capable of responding, simply because of the huge waiting lists that we have to live with. We do our best.

The impact on the citizens of any cuts in spending, or in some cases failures to increase spending, will be felt most by those who are already least able to cope: the poor, the marginalized, those already in distress. Economic policies that improve the individual's abilities to cope are doubly needed at such times and constitute an investment in the human capital of this city over the long term.

Ms Marchant: I'm going to take about 24 seconds to just give a little picture of what Ottawa families are specifically facing now, but as I do it I also want to acknowledge that in the first year, the Liberal government has already made some financial changes that have improved the situation of families. I just want to acknowledge that as I go into my 24 seconds of doom and gloom.

In September, parents of children in Ottawa schools paid up to \$150 per student for fees to help their kids go to school. In some cases, kids weren't allowed to have their timetables until the fees were paid. You can imagine the exclusion created for poor children when that kind of thing happened.

I'm sure you've heard lots about poverty already, but in 2004, 40% of the people using the Ottawa Food Bank were children, and those children are in poor families.

Children's mental health services are becoming a larger and larger concern in this city. We're hearing that over 10% of children between the ages of four and 11 are exhibiting indications of mental and emotional challenges: hyperactivity, ADHD, bed-wetting, all sorts of stuff that isn't actually a mental illness but more an example of the responses to stress that families are living under. Yet children in Ottawa are also having a terrible time accessing the mental health services they need to deal with those because of cuts to things like CHEO and our hospitals and other social service levels. Again, there have been investments, but the investments aren't necessarily helping the children who aren't officially mentally ill.

Sheila has already mentioned the challenges of seniors that we've seen. Indeed, at least one seniors' services program in this city was cut despite the increasing number of seniors and needs of seniors in this city, and I'm extrapolating to the province.

Child poverty rates in Ontario have increased for the first time in six years. That's frightening. Some 87% of poor children are actually living in families where the parents work, so poverty isn't just about social assistance and welfare. I heard the previous speaker talking earlier about the challenges of living on social assistance and disability cheques, so I won't go into that, but it's certainly a concern that Family Services wants to put out to you as well.

I'll turn this back to Sheila now to start on what we ask you to do.

Ms McIntyre: What we'd ask you to do is consider developing and maintaining a longer-term sustainable plan to tackle children's mental health, including continued core funding to community-based agencies that provide counselling and mental health services. These are the services on which people depend in a crisis. I want to emphasize the issue of community-based, because we know there is quite a separation. Although there is collaboration, there are quite different functions performed in a community by medical institutions dealing with mental health and community-based ones. Our focus is on the community-based counselling approach. We consider it to be extremely important in providing a transition service between medical and community functioning.

We ask that you provide core funding to support parents as well. Research shows that parents who successfully complete a counselling experience have fewer behavioural problems and their children have much more school success. Counselling teaches parents to be more involved with their children. Research shows that a positive relationship with an involved parent can mediate the stress of poverty on a child's educational achievement. You can appreciate that these are points we want to underscore tremendously, because it is often very difficult to prove the importance and significance of counselling. We believe in it fundamentally, and we absolutely believe it's an investment in children and in their parents.

We ask you to invest in the program Families and Schools Together as a best-practice, best-start program. F&ST—"fast"—is a prevention strategy for children aged zero to nine and their families. It addresses the causal factors that contribute to things like delinquency, violence, drug and alcohol abuse, and early school failure. In addition, it promotes the positive development of children by supporting and empowering the parents to be agents of prevention and change. Again, we are family services and we do look at the family system, and we think it's incredibly important that parents and children be looked at as a unit.

F&ST programs demonstrate outcomes that improve child development. They have a results-based orientation for the child, the family and the community. These programs are rooted in formal, collaborative partnerships between the school, community organizations and volunteers, and they are based on evidence-based best practices.

In Ontario, 11 family service agencies provide F&ST in 60 different sites. With their positive demonstrated success, these programs should be a key component of any effective community investment strategy that supports the healthy development of children aged zero to nine.

1520

We ask you to reinvest in seniors. Acknowledge the needs and also the strengths of this growing demographic group. Invest in proven programs that support frail and isolated seniors in ways that work for them, like the successful senior peer counselling program we mentioned, which was cut by the Ministry of Health in 2004. That was also fairly significantly volunteer-based as well, so it had a community development component as well as a seniors support component.

We ask you to fulfill your 2004 election promise to stop the clawback of the national child benefit supplement from families living on social assistance or disability. Minister Papatello has indicated that it would cost the province \$250 million to stop the clawback and that doing so would put programs that are currently funded out of clawed-back dollars at risk. We agree that many of the reinvestment programs are important and need to be funded, but not by taking money away from the poorest families.

In October 2004 the federal government reported a \$9-billion surplus, and in November, Canadians learned that there is a \$46-billion surplus in the EI coffers. Clearly, funds are available. Where better to spend a portion of them than in helping the poorest of the poor to get a good start in life?

The Chair: I'll remind you that you have about a minute left in your presentation.

Ms Marchant: I'll zip through the last of our recommendations.

Again, we acknowledge that the Liberal government has increased the minimum wage and has followed through on that election promise. We'd encourage you to accelerate your plans to increase the minimum wage, moving from the current target of \$8 in 2007 to \$10 an hour in 2007.

We'd encourage you to move immediately on your commitment to provide \$100 million in shelter allowances to working families who are paying more than 50% of their incomes on rent.

We would encourage you to maintain momentum on improving social service benefits and again congratulate you on your decision to raise them somewhat last year.

Don't hesitate, please, to use a small tax increase to shore up public services, like reinstating OHIP coverage of services like eye examinations and physiotherapy.

Also, please don't hesitate to use a small tax increase to shore up support to cities and municipalities. We've certainly seen a lot of challenges as formerly provincially funded programs have fallen to the city to take care of. Ottawa has been dealt some hard blows because of that over the last several years.

In summary, we're proud to live in Ontario and we want to continue to support families at all levels of economic success to thrive in this province. We really encourage you folks to take some of our suggestions and incorporate them into your financial decisions over the next year. We thank you very much for your time.

The Chair: This round of questioning will go to the NDP.

Mr Prue: I come to this table probably agreeing with everything you have to say here, but I'm sitting on the opposition side. The Minister of Finance has said there will be no tax increases this year and that the budget will increase by only some \$500 million. What are your priorities? What can you tell these guys across the table from me that the priorities should be? If you could only do one or two things out of your whole list, what would you do?

Ms Marchant: She's looking at me.

Ms McIntyre: I think because both of us have discussed this subject as—

Mr Prue: Personally, I'd end the child clawback. What would you say?

Ms McIntyre: I think child poverty is a very significant priority, so I think any initiative that deals with child poverty is incredibly important.

Ms Marchant: And you can end child poverty using economic measures like ending the clawback and by using more education and prevention measures by empowering families. I hate being asked to make a choice, so I would probably split it between the two: supporting those families and schools together—the family empowerment programs to help people gain skills and ending the clawback.

Mr Prue: You are not satisfied with the minimum wage. They campaigned on going from \$7.15 an hour to \$8 over five years, which is basically leaving the minimum wage where it is after you factor in inflation. Nothing much really will change. Is that sufficient? Can anybody on minimum wage—I can't imagine a person living on minimum wage in this province. I can't imagine how they even do it.

Ms Marchant: We say in our brief that minimum wage workers who work 35 hours a week bring home a little under \$1,100 before taxes. If you're a single mother raising a child, paying for a \$900 apartment, obviously you can't live on minimum wage. You can barely live well on \$10 an hour. That's why we're asking you to accelerate the plan to increase the minimum wage so that fewer and fewer people are having to choose between paying their rent and feeding their children.

Mr Prue: The question has to be asked, and I guess the government is going to have to answer this: It costs them nothing to raise the minimum wage. Mostly, that's paid for by private sector people, who in turn have to pay—McDonald's will have to pay. You'll have to pay an extra nickel for the hamburger or whatever. There is some talk that that could result in job loss. Do you believe that raising the minimum wage to \$10 will result in appreciable job loss or people who are at the lower end

actually losing their jobs? That's what I'm going to hear from them; I know it.

Ms Marchant: I don't know.

Mr Prue: OK. That's pretty blunt.

You are talking about seniors. You didn't include seniors when I asked you about the most important—I can understand that. They do not seem to be in the same terrible situation that we're seeing many young families and especially children in. We're starting to see a spate of violence in Toronto. We're starting to see despair from some of the teenagers, the social programs being cut and a whole plethora of horrible things. I don't want to leave the seniors out, but are you prepared, if they can only do that much, to wait, knowing full well we'll all be seniors some day?

Mr Colle: Speak for yourself.

Mr Prue: I might not make it; you're right.

Ms McIntyre: When you put a box around it that says, "No tax increases," and then you say, "Which of the social programs should be funded?" it becomes an impossible situation. No, I don't think seniors should be left out either. We're talking about creating healthy, sustainable communities. When you look at whether or not the minimum wage should be raised, all of it fits together in terms of creating a socially and economically sustainable community, and in a socially sustainable community, its businesses can probably cope with an increase in minimum wage, because you have the kind of social will and understanding that will enable it.

I'm an idealist. I believe that Ontarians truly do want to live in healthy, sustainable communities, and the kinds of things we're talking about, we think, are absolutely essential to getting there. The kinds of results that we see from isolated seniors and disaffected youth and parents who are incapable of coping are the kinds of results that make our communities difficult to live in. We do not want to have the kinds of communities that we see in other countries, where the rich have to wall themselves in to isolate themselves from either seeing what they don't want to see or coping with the results thereof. I'm an idealist. I really think these things are absolutely important to the entire picture of this province. It starts here.

The Chair: Thank you for your presentation this afternoon.

OTTAWA CHILD CARE ASSOCIATION

The Chair: I would call on the Ottawa Child Care Association to please come forward.

Good afternoon. You have 10 minutes for your presentation. There could be up to five minutes of questioning after that. I would ask you to identify yourselves for the purposes of Hansard, and you may begin.

Ms Elaine Bisson: I'm Elaine Bisson.

Ms Karen Cole: I'm Karen Cole.

Ms Bisson: I guess it's a long day, and this is near the end; no more presentation after myself. I'll keep it brief—the best for second-last.

Thank you for giving me this opportunity to speak with you today. As I said, my name is Elaine, and I'm president of the Ottawa Child Care Association, which is a voluntary organization of licensed, non-profit child care agencies who have purchase-of-service agreements with the city of Ottawa and who are accountable to a board of directors. The OCCA represents the mutual concerns of its agencies, the boards, their staff, their children and their parents.

As well as acting as president of the OCCA, I am also the program coordinator of the child care program at the Youville Centre. I'm not sure if people know what the Youville Centre is. It's an alternative high school for teen parents: mothers who are completing their high school education on-site and acquiring parenting skills at the same time. There's on-site child care, and it's available for 55 children: infants and toddlers two months to three years of age. It's a critical service if these at-risk youth are to achieve their educational goals.

1530

I thought I would just share a story with you. I know that my colleague came a little earlier and she probably brought tons of stats and everything, so I didn't want to go there.

Recently a meeting was arranged with one of the teen moms—she's 16—with me and the child care educator in the room where the mother's eight-month-old baby is cared for. The mother was complaining to the other student mothers that the educators in the daycare program didn't know how to provide the proper care for her child. Some of the things she was upset about were that her child had to be fed three tablespoons of puréed fruit, and it had to be heated for 10 seconds, no more, no less; there had to be one eight-ounce bottle of formula given to the baby at one o'clock—it didn't matter if the baby was hungry at 11 o'clock or whatever, the baby had to be fed at that time—and there were other things like that.

During the meeting, I found it interesting because the mother would often question the qualifications of the educator: "How could she possibly know how to provide the proper care for this infant if she herself isn't a mother?" After that meeting, the mother went upstairs to the third floor to attend her grade 9 class in parenting.

For better or worse, after the meeting I found myself making some comparisons between the daycare program that we offer and the high school program on-site. The early childhood educator in question who attended the meeting has two diplomas: one in developmental services and one in early childhood education. So she has four years of specialized training and education. She has worked for over five years with young children at the Youville Centre. She also works as part of a team of educators with a combined total of 12 years of education and training and 20 years of experience.

It struck me: Why are my early childhood educator's qualifications questioned, yet the qualifications of the high school teachers never are, and then in my mind, why is she is paid only half or one third the amount that educators in elementary and high schools are paid? Why

must she work longer hours every day and enjoy fewer holidays than her colleagues in the school system? Why is it that the province respects the care and education of some children but not others?

The early childhood educator at the Youville Centre is actually making an impact on two generations by providing a quality child care program for an at-risk child, therefore making it possible for a teen mother to obtain her high school education. She's not unlike any early childhood educator inside or outside of the regular school program in the province who provides quality child care in order for parents to work or attend school.

I've been involved in the child care profession for 30 years now. In the early 1970s, it was exciting to be part of the profession. I saw purpose-built buildings erected to meet the overwhelming demand for more child care spaces. But since then I've heard only promises for a better system from the provincial and federal governments. I've seen students from early childhood education programs move directly to the school system because they want to be positively recognized for their commitment to children. I see others work as educators for a short time and then move on to jobs where they'll make a decent wage and access sound benefits. I think we should be ashamed that jobs as grocery clerks can pay more than early childhood educators.

I've also seen parents struggle to pay daycare fees because they know the early years are the most important years for their children, and others who must place their children in unregulated situations because they just can't afford the 55 bucks a day or more in daycare fees, or they can't even find regulated, non-profit centres if they want them.

I have to say we're really lucky to be living in the city of Ottawa, which is committed to children, and we recognize that they have had to make tough decisions on whether or not they should fund roads, sewers, police or children. This year, the city of Ottawa is thinking of giving us a small increase to our budgets, and they say it should go to wages and benefits because they know how dismal our wages and benefits are. But they also recognize that there are some uncontrollable costs such as skyrocketing hydro bills, insurance costs and snow removal. I'm going to ask you where you think this money is going to go. As I left my building today, they were fixing our boiler system.

What I want to know today is why in this province municipalities must make decisions about child care and education? Why is this not the responsibility of the province? Why is it that four- and five-year-olds' education is fully funded inside the school system but not outside, in child care centres? I just want to know if there is something magical about the age of six. Why is it that when children enter formal, full-time schooling, they become more special and more deserving of attention by the province?

I don't have to remind this committee of how many working parents there are in Ontario—and I'm sure some of you were—or how many children under six years of

age continue to be in unregulated and potentially unsafe child care arrangements. I don't have to let you know that there are some really good people providing care to the most vulnerable population, and these people are really poorly paid. You already know that.

I'm here just to remind this committee that we need a system that is publicly funded, fairly funded and sustainable, one that guarantees standards and principles, one that is accountable to the public and tied to concrete provincial plans, and one that is for children, not for profit. I think it is within our reach, and it's time for our province to make it happen.

I have not included all the facts and figures because, like I said, my colleague probably already has, and I know there have been other committees. I'd be happy, though, to forward any information.

The Chair: The questioning in this rotation will go to the government.

Mr Patten: It's good to see you again.

Ms Bisson: Yes. We've met before.

Mr Patten: By the way, I must commend the Youville Centre. I have known it for many years. Its previous location was in my riding. It no longer is, which is somewhat unfortunate, but it is in a great facility. I have absolute respect for its operation and the credibility and quality of what it does. It's so heartwarming when you see the graduation ceremonies that I can't go any more. I defy anybody to go and not have a tear in their eye. It's a very beautiful thing.

I would say we are on the verge of trying to align and negotiate, as I think you well know, new money, new funds, new supports for the early years. The previous government provided a very helpful service, and that was the funding of the Early Years, the Mustard and McCain study, which was excellent. We support that very much. We know the importance of those years. We know also that we have to support the system that is in place and build upon it. We made an election commitment to that, and it will happen.

Our dilemma, as you well know, is that we are still faced with an enormous debt, and while we face that and deal with that, we have to make some allocations, but not as many as we would like. We did make commitments over a period of years; I will say to you that the commitment is still there. You will see some evidence of that. I don't draft the budget, so I don't know what's going to happen in this budget, but I think you will slowly see that happen. It won't happen in one year. There was some evidence this year; I think there will be some next year and in subsequent years. There's no doubt that the payoff will be good, quality support.

The questions you raise—you have a three-and-a-half-year-old. My wife teaches junior kindergarten. You have that funded in the morning, and then the child goes to the child care support system in the afternoon, and of course that hasn't got the same degree of funding. So there are some discrepancies. But I would say to you, do not lose faith.

Ms Bisson: I've been waiting 30 years. I don't know if I have 30 years left.

Mr Patten: You're a patient person.

Let me ask you this. One of the reasons you can't move totally in one system or another is that you don't have a completely universal system throughout the province. There are some areas where you don't have the regulated child care system and you have families that might—that's all you may have in remote areas. But in urban areas, and in Ottawa, what's the best model that you would see: child care centres in schools, where possible? This was our particular position. Do you agree with that?

1540

Ms Bisson: I do, because I think schools used to be a community, and I would hope they would continue to be or can go back to where they are a community. So, yes, that would be a good place, especially for rural. It's a centralized place. It's not duplication of services, especially if you're going to have maintenance, things like that.

Also, there's nothing wrong with home care. Because I did it myself, I realize that it can be a good alternative, as long as there are some regulations and some monitoring as well, because I really believe there have to be some options for parents. I do think it is going to be difficult, but just because it's going to be difficult doesn't mean we shouldn't move forward.

I did give a speech at my OCCA meeting a few months ago. It was "Universal Child Care: Let the Fight Begin," because there are so many different people with different opinions, and people are still living in the past about parents staying at home or something like this, as if that's an option for some families.

Thank you for giving us this opportunity.

The Chair: Thank you for appearing before the committee.

CANADIAN NATURAL GAS VEHICLE ALLIANCE

The Chair: I would now call on the Canadian Natural Gas Vehicle Alliance to please come forward.

Good afternoon, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes of questioning after that. I would ask you to identify yourselves for the purposes of Hansard, and you can begin.

Mr Howard Mains: Howard Mains, government relations adviser to the Canadian Natural Gas Vehicle Alliance.

Mr Rick Thomas: My name is Rick Thomas, and I'm the new president of the Canadian Natural Gas Vehicle Alliance. I'm now on my third day on the job. Hopefully, this will be more than my 10 minutes of fame. I understand that we are the last ones this afternoon, so I can understand if you kick under the table to get me going along here. I'll go as quickly as I can.

We're handing out three documents. One is the presentation, one is some information on natural gas vehicles and one is a two-pager on natural gas buses. With that,

hopefully I haven't taken a minute; that's only been about 18 seconds.

Thank you, Mr Hoy and committee members, for allowing me to appear before your committee. By way of introduction, the Canadian Natural Gas Vehicle Alliance is the umbrella organization representing an innovative, growing high-tech industry dedicated to reducing greenhouse gases and smog-causing emissions in Canada and around the world. Please allow me to provide a brief synopsis of the technology.

Natural gas burns significantly cleaner than gasoline or diesel fuel and, as such, produces fewer smog-causing emissions. In addition, light- and medium-duty natural gas vehicles provide a 20% reduction in greenhouse gas emissions.

Who operates natural gas vehicles? High-mileage fleet owners are the largest buyers of light-duty vehicles. In Toronto, for example, approximately 10% of the taxi fleet is natural-gas-powered. By fuelling with natural gas, each vehicle produces, on average, seven fewer tonnes of greenhouse gas emissions. Other uses include transit buses and refuse trucks, to name but two important applications.

The alliance is pleased to offer our pre-budget recommendations, which are as follows:

(1) Support our six-part plan for the federal climate change agenda—that's identified as one of the appendices;

(2) Recommend inclusion of our particular proposals today into the provincial budget—that's what we're here for; and

(3) Follow the leadership of California and other North American jurisdictions by implementing policies that require municipalities and government agencies to—and this is quite important—"Deploy the cleanest, proven, commercially available technologies as early as possible to reduce emissions from diesel engines."

The NGV industry has been encouraged by the announcement in May of last year by the federal government that NGVs—natural gas vehicles—have been included in the climate change plan for Canada. The federal incentive program of \$3,000 per vehicle is now assisting fleet owners—such as the Toronto Hydro-Electric Commission, which recently purchased five natural-gas-powered light-duty trucks—to do their share in reducing harmful emissions. The transportation sector is recognized as a significant contributor to air quality problems, contributing to approximately 25% of all of Canada's greenhouse gas emissions.

Ontario has set a record number of smog alerts over the past several years, and a recent Toronto Board of Health report indicated that Toronto ranks fourth among 37 international cities with respect to NO_x levels. Numerous studies have linked premature deaths and health care costs to air quality. Natural gas, as the cleanest-burning alternative transportation fuel, can assist Canada in meeting its obligations to reduce greenhouse gases, provide improvement to Ontario air quality and reduce the impact on public health. But targets and a

timetable must be set by Ontario to make even partial progress relative to the ambitious but attainable goals already set out by other jurisdictions. For example, achieving a goal of 5% market penetration for natural gas vehicles in Ontario by 2015 is possible simply by following the leadership of California and the European Union.

You may have seen the Tuesday edition of the *Globe and Mail* and the article concerning the challenges facing Canada in meeting our Kyoto obligations. The member companies of the alliance have been engaged with other industry participants in preparing a comprehensive natural gas vehicle strategy for the federal government. A detailed description of this \$160-million six-part plan is provided in the attachment. We encourage you to call upon your federal counterparts to implement this plan.

You may have noticed the news media reports that next week federal Environment Minister Stéphane Dion and Transport Minister Jean Lapierre will be leaving snowbound Ottawa—ice pellets, crystals, freezing rain Ottawa—for the warmer climes of California to see first-hand the approach that that state—

Interjection.

Mr Thomas: —the deluge is about to begin—is taking to reduce greenhouse gas emissions and air pollutants from cars, trucks and buses.

On Monday morning, the Canadian delegation will be meeting with officials at the South Coast Air Quality Management District, an area with a population of some 16 million people in the Los Angeles region. South Coast has set a very clear public policy objective: “Deploy the cleanest proven, commercially available technologies as early as possible to reduce emissions from diesel engines.”

To do this, the regulator has implemented seven rules that require all public agencies—including the federal, state and local governments—which operate fleets of 15 or more vehicles to purchase the cleanest commercially available technology. The rules cover the procurement of light- and medium-duty public fleet vehicles, transit buses, refuse collection vehicles, commercial airport ground access vehicles like taxicabs and shuttles, school buses, heavy-duty vehicles and street sweepers. Natural-gas-powered vehicles employing Canadian technology are a major part of the solution in achieving this public policy objective. In fact, just before Christmas, South Coast announced an award of \$1.9 million to further develop Canadian technology. Many of the buses being used down there are Canadian, and they use a technology that has been developed in Canada.

In 2002, the final report from the Ontario provincial select committee on alternative fuel sources recognized the benefits of using natural gas vehicles and other alternative fuels by recommending, among other things, increasing the sales tax rebate to \$2,000 and supporting their use in Ontario public fleets. One of the recommendations of the select committee was to allow alternative fuel vehicles to use high-occupancy vehicle lanes. California and other states are enacting legislation to

allow such vehicles in high-occupancy vehicle lanes with just a single occupant.

Fuelling appliances such as the *Phill*, which was developed by FuelMaker Corp of Etobicoke, allow motorists to refuel their natural gas vehicle at home, thereby greatly improving access to a clean fuel. In September, FuelMaker and Honda US announced a strategic alliance to jointly market *Phill*, along with the natural-gas-powered Civic GX, a car that the US Environmental Protection Agency has labelled the cleanest internal-combustion-engine-powered vehicle ever tested.

So what’s our budget request? We’re here to ask for a renewal of the all-party commitment to improve the quality of the air we breathe and the health of Ontarians through the following budget measures:

(1) Tie the procurement of alternative fuel vehicles in municipalities to provincial funding programs, cost-sharing arrangements and grants. Specifically, require that any transportation funding, whether through a continuation of the transit incentive for alternative fuel transit buses or a rebate of the gasoline fuel tax, require the use of the cleanest proven, commercially available technologies.

1550

(2) Continue the transit incentive for alternative fuelled transit buses, begun in 2003.

(3) Increase the PST rebate from \$1,000 to \$2,000 for natural gas vehicles and hydrogen vehicles.

(4) Establish programs to utilize alternative fuels for school buses, airport vehicles, all municipal heavy vehicles—sweepers, garbage trucks, fire engines etc—all other municipal cars and light trucks, and high-mileage province of Ontario cars and trucks.

(5) Develop rate-base friendly Ontario Energy Board initiatives for NGVs.

(6) Allow access to high-occupancy vehicle lanes for NGVs and hydrogen vehicles.

(7) No-charge vehicle registration for NGVs and hydrogen vehicles.

(8) Free entry to Ontario’s parks and recreational areas for NGVs and hydrogen vehicles.

The alliance applauds the Ontario government in its endeavours to reduce greenhouse gas emissions. While recognition of the pollution reduction benefits of natural gas and hydrogen for vehicles is important, to be competitive in the Canadian marketplace, we must implement public policies that will allow the industry to supply these environmentally beneficial vehicle fuels in an affordable way. The proposals presented today strive to achieve these public policy objectives.

I’d like to thank the committee members for listening and allowing me to make this presentation to you this afternoon. I hope I’m within the 10 minutes.

The Chair: You did very, very well. I wouldn’t cut someone off on their third day, anyway. The questioning now will go to the official opposition.

Mr O’Toole: Mr Barrett and I both have a question. Thank you very much for your presentation. I happen to

be the energy critic, so I watch these issues—the price of natural gas is becoming somewhat prohibitive.

In my riding of Durham, there is a company, Canadian Hydrogen Energy, which I have no association with directly, but Steve Gilchrist has brought it to my attention. They have got a new product where they are using a small vessel to crack distilled water with about an 18-volt charge, creating small amounts of hydrogen, which is then used as a catalyst in a normal combustion engine—diesel or gas-powered—to provide higher efficiencies. Are you familiar with that product? Actually, they've just equipped the transit system in the municipality of Clarington and Oshawa with this product, and they're going to be introducing it. It's compliant with vehicle manufacturers' specifications, and it's quite new. I don't know whether the company itself is commercialized. Are you familiar with that product?

Mr Thomas: No, I am not familiar with it, but it does sound very interesting.

Mr O'Toole: Yes, Canadian Hydrogen Energy. You might just want to look into it. Mr Barrett has a question as well.

Mr Barrett: I should know this—I'm making an assumption. Are natural gas vehicles exempt from Drive Clean testing, or do they still go through that process?

Mr Thomas: I don't know the answer to that. We can look into that and find out.

Mr Barrett: That would be seen as an advantage in many quarters.

Mr Thomas: Yes, that's a very good point.

Mr Barrett: Again, when you look at other evolving technologies—and I notice, in one of your documents, you talk about natural gas as a pathway to the hydrogen vehicle, a substitute for diesel. What about biodiesel? I think of diesel as polluting, if it's not set up properly. What about biodiesel, if that will be receiving government subsidy and encouragement? Do we know if biodiesel is going to be a problem? Will you fill a niche, or is it going to be—

Mr Thomas: Well, it certainly is not an area of my expertise, but I think one of the ideas behind biodiesel is that you're using renewable resources to generate that. However, whether or not there will be any problems with it, I couldn't answer that.

Mr Barrett: The same goes for ethanol. It looks as though you haven't been doing much in the last three days to get up to speed.

Mr Thomas: This is day three. That's two days.

Mr Barrett: One other thing. I know the alternate fuel committee raised the issue of allowing motorists to refuel

natural gas vehicles at home. I know, on occasion, I do that because I have a farm. Sometimes it's more convenient, though, just to roll into a gas station. Do you have any idea if homeowners, say, in a city are going to really buy into that? I wonder how popular that would be. We can do that now with gas and diesel, but where do you put the tanks, unless you have a farm or have an area?

Mr Thomas: I think there are two parts to that. Just looking at myself, we all have barbecues outside, and many of them have natural gas barbecues. You just hook them up outside. Others go and purchase propane.

My understanding is that FuelMaker actually has two types of appliances that can be used: One is the low-pressure that goes overnight. So you plug that into your car at home and it may take five or six hours just to fill the tank. The other one is the high-pressure system that's used for more commercial applications.

I think that it's probably just going to take some time for people to become used to and familiar with it, just like, I would think, with natural gas barbecues or propane barbecues.

Mr Barrett: As long as it's convenient. A lot of people don't like to take the trouble to pump their own gas or pump their own diesel, or to purchase the electric motor to pump it.

Mr Thomas: I see what you're saying.

Mr O'Toole: Just quickly, if I may. Is there still a discount for vehicles that are equipped with natural gas? There used to be a subsidy.

Mr Mains: The PST rebate is \$1,000 right now. The federal government, for fleets, contributes \$3,000. Then, depending on the utility, some of the utilities—when I say that, that would be Enbridge, for example—also provide a rebate. So there is a laddered rebate system in place, and our proposal had asked that we—

Mr O'Toole: I encourage that. I think it's a direct compliance incentive, if you will, to meet some emission targets. We know that the real cause—to meet all these emission standards, they always state the coal plants. Actually, the largest polluter is the combustion engine, the vehicles. It's the biggest polluter. The Ministry of the Environment wrote a report in 1996, I believe, that demonstrated that 65% of the air pollution is from vehicles.

The Chair: Thank you very much for your presentation this afternoon.

That concludes the business of the committee. We are adjourned.

The committee adjourned at 1557.

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First Session, 38th Parliament

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(Hansard)**

Thursday 13 January 2005

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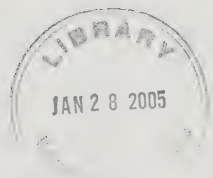
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**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



**Chair: Pat Hoy
Clerk: Trevor Day**

**Président : Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 13 January 2005

Jeudi 13 janvier 2005

The committee met at 0859 in the Ambassador Hotel, Kingston, Ontario.

PRE-BUDGET CONSULTATIONS

CITY OF KINGSTON

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will come to order. The committee is pleased to be in Kingston this morning, and our first deputation will come from the city of Kingston. Would you please come forward?

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to state your names for the purposes of our recording Hansard.

Mr Harvey Rosen: My name is Harvey Rosen. I'm mayor of the city of Kingston. Good morning, Mr Chair and members of this committee. Thank you for providing me with the opportunity to address you today as part of your pre-budget consultations. These public discussions you are having throughout Ontario represent an important facet of our democratic system of government, and I commend you for taking the time from your constituencies and busy schedules to be here today. Appearing with me today is Mr Denis Leger, interim chief administrative officer for the city of Kingston.

I would like to begin my remarks with an issue which is, no doubt, quite familiar to you from your own ridings: infrastructure. On a positive note, the recently announced Canada-Ontario municipal rural infrastructure program will be of great benefit to municipalities and serve as an example of cooperation between our three levels of government. Further, the fact that three distinct rounds have been planned facilitates our efforts to plan ahead for various infrastructure projects. We would ask that funds be dedicated to similar programs in the future which are long term and sustainable and which perhaps are shorter in terms of negotiations with Ottawa.

Unfortunately, Kingston has not enjoyed this synchronization between levels of government in past infrastructure programs. Under the previous Canada-Ontario infrastructure program, our city received only one-third provincial funding for an infrastructure project, amounting to about \$3.5 million, with no federal commitment. In turn, we received only one-third federal funding under the Canada strategic infrastructure fund, \$25 mil-

lion, for another major infrastructure project, no provincial contribution being received to date.

This disjointed approach has left the city in dire straits, having to fund projects on the backs of our ratepayers through increased sewage charges that are already among the highest in Ontario. We anxiously await a response from the province in terms of their \$25-million share for this latter project, as our city was one of the largest in Ontario to receive the fewest provincial infrastructure dollars and the only Ontario municipality receiving CSIF funding that did not receive proportional provincial funding.

What constructive advice can I offer in terms of infrastructure and our experiences? Ensure that the provincial and federal levels of government are committed to joint programs to ease the capital costs for the municipality. Continue long-term and sustainable funding for infrastructure to municipalities so that we can continue to plan ahead.

I fully understand the challenges posed in forming a budget. We are not asking for the money tomorrow. Make funding commitments over a certain number of years to defray the burden in the short term. Ensure that issues such as age of the municipality, ability to leverage rates and taxes and environmental challenges are acknowledged. Being dubbed the limestone city has its advantages, but it is not so advantageous when you dig to install new sewer and water lines.

Reassess the value of the Ontario Strategic Infrastructure Financing Authority. How much does funding from this organization actually save municipalities when compared to conventional bank financing?

I look forward to continued dialogue as we work together with the provincial and federal governments to advance our joint agendas on infrastructure.

I would now like to turn my attention to the recently announced gas tax rebate to municipalities from the province. While these monies are most welcome—Kingston will be eligible to receive over \$1 million—they come with too many strings. I would imagine for larger municipalities the targeted approach to this money will not be a problem, but for mid-sized cities that are not looking for great expansion of their existing transit systems, the program will actually result in having us commit to unanticipated future funding allocations in order to receive the rebate. In my view, this philosophy does not fit with the government's approach to be

respectful of municipal governments and to afford them increased autonomy and responsibility.

The response to my criticism has been, "This was what the Liberals proposed and we are fulfilling our commitments," and I respect that. However, I am suggesting the government revise this funding formula to transfer a portion of the provincial gas tax to all municipalities, regardless of transit ridership. If need be, the funds could be earmarked to be spent on transportation infrastructure matters such as roads, maintenance and bridge repair.

I do wish to commend the government for helping municipalities advance brownfield initiatives through community improvement plans. I would suggest that efforts be continued through the provincial budget to provide municipalities with assistance to continue to develop environmentally impacted lands.

I would be remiss if I did not offer some comment as well in my capacity as chair of MUND, Mayors United for a New Deal, whose membership comprises eastern Ontario mayors of cities and separated towns other than Ottawa. It is difficult to say what I'm about to say without sounding critical, but public perception in this region is that the provincial government has been very focused on Toronto and northern Ontario as priorities and that, for the most part, eastern Ontario, outside of Ottawa, has been somewhat neglected by both the provincial and federal governments. Whether it be major investments in the TTC, the GO Train or auto facilities in Oakville, there has in general been a lack of provincial presence in eastern Ontario. Manufacturing and industry are diminishing, agriculture is suffering and infrastructure is decaying.

But I will be the first to say that we are an inherent part of the problem. We need to think more regionally and better represent our challenges to senior levels of government, but we need your attention to do that. There are some glimmers of hope through eastern Ontario tourism initiatives, which represent a very significant component of our regional economy. My suggestion in simple terms would be to think of our region more often when funds are allocated, balancing that with priorities throughout the province.

Once again, thank you for the opportunity to present some issues today. I look forward to any questions or comments you might have.

The Chair: Thank you. The questioning will begin this morning with the official opposition. Mr O'Toole?

Mr John O'Toole (Durham): I think Mr Runciman has a couple of questions, and I will certainly share the time. Thank you very much for your presentation.

Mr Robert W. Runciman (Leader of the Opposition): Mayor Rosen, thank you for being here with Mr Leger. We very much appreciate it. I'm curious about a couple of things, especially your comments with respect to the committee, MUND, that you chair and your sense—I guess a shared sense—that eastern Ontario is being neglected. That's not a new feeling. I know I've heard that for many years over the life of various governments.

I'd like to know if you could be a little more specific. Some of the things have been talked about. I know a

former NDP member from Cornwall at one point was a strong promoter of a ministry for eastern Ontario, quite comparable to the northern affairs responsibilities in cabinet. I have talked to colleagues in the past about a secretariat that would have responsibility for a focus on eastern Ontario and all of the issues that impact on eastern Ontario. It could be a junior ministry, but at least there would be one focal point and an advocate with specific responsibility to raise those issues that impact eastern Ontario around the cabinet table.

So I guess I'd like to see you put a little more meat on the bones in terms of what you think should be happening, how you think this and future provincial governments should deal with these issues of, I think in many respects, legitimate concerns in eastern Ontario.

Mr Rosen: I certainly agree that something similar to the situation present with respect to northern Ontario could be developed here. Eastern Ontario obviously has a large presence in Ottawa, and Ottawa, certainly in terms of its gravity in provincial affairs, focuses much of Queen's Park's attention on this region. The rest of the region, in part for that reason, is somewhat ignored, and there certainly ought to be some consistent and strong presence within cabinet or within a secretariat of cabinet to represent the interests of this region. Otherwise, we'll be in a continuing situation of neglect.

0910

Mr Runciman: One of the things we were looking at in the past was, we had developed the concept of tax incentive zones, and certainly there was a great deal of interest in eastern Ontario with respect to that program moving forward. It apparently has gone into limbo under the current government.

The other element that was looked at in terms of what happens in northern Ontario is the heritage fund. There's an allocation on an annual basis from the government into the heritage fund, which is used for a variety of purposes in northern Ontario. In some respects, improperly or not, it has been used as an incentive for certain businesses to locate in northern Ontario. We've certainly seen it in terms of call centres, where they've received bonusing, if you will, and incentives to construct facilities and locate those businesses in northern Ontario.

Have you taken a look at some sort of fund being established to perhaps allow the provincial government some flexibility in terms of providing additional assistance to rural, small-town, medium-sized communities in eastern Ontario? Is that something you've taken a look at?

Mr Rosen: It may very well be a good idea. We have not considered specifically whether a fund of that nature would be of significant use in terms of the expense to the province, whether the return would be proportional—I would have to get back to you on a considered response—but certainly more attention to this area in a general way, a program that perhaps would direct the attention of investors to this end of the province. I think we have great assets to offer investors. I don't think it's

so much a question of government assistance—and I'm straying from my original position—in dollar incentives to investors, but letting them know what we have here. It's almost a promotional assistance that we need.

Mr Runciman: Good. That's it.

The Chair: Thank you for your presentation before the committee.

VITAL

The Chair: I would now call on Valuing Independence Through Active Lives to please come forward.

Ms Judith Leon: Otherwise known as VITAL.

We are a lobby group, if you like, which got together in the city of greater Toronto just before the last election because of concerns that the neighbourhood agencies that do much of the social work and suchlike in the city of Toronto—throughout the province, if it comes to that, but we're a Toronto agency—have had their base budgets frozen for the previous 12 years. As we saw the help that our clients could get to remain out of nursing homes, out of institutions, become less and less over those 12 years, we decided we'd better do some lobbying. The present Premier was kind enough to write to us, saying that it was the focus of the upcoming Liberal government to concentrate on pushing health services more and more toward neighbourhood organizations and trying to prevent illness and social problems before they arose and needed the much more costly interventions of nursing homes and the like. He very kindly promised that in his first budget he would give us the cost-of-living increases over those 12 years to rectify what we had lost over those previous 12 years. Unfortunately, as we all know, that didn't happen. We did get 3.5%, which somewhat eased the pressure for staff, who are mostly minimum wage anyway and hadn't had any increases over 12 years.

We are now hoping that in this upcoming budget, which you are discussing here today, we can, if not get the remainder of that cost-of-living that we lost, at least rectify it in some serious way. The way the civil service does its accounting is so complex that I can't tell you what that would cost over the entirety of the province of Ontario, but for neighbourhood agencies within the greater Toronto area to rectify the problem entirely would add \$7.3 million to your budget. So it's not huge dollars that we're talking about but it's huge in terms of keeping people out of institutions.

You don't know yet, because it's not going to be announced until March, but the University of Toronto has done the first survey comparing seniors living in supportive housing in our community agencies with seniors living in perfectly ordinary apartment buildings, served by community care access centres and the like. There are tons of research in Britain and, much to our pleasure, this first study, although very small, is producing the same results. People are living in our supportive housing units throughout Toronto—they did three separate sites—seven years longer compared with ordinary apartments. We're keeping seniors out of institutions for seven more

years than would otherwise be the case, at a very small fraction of the cost of institutional care.

One of the things that's very interesting in the survey is that we have heard many people in your House say that all supportive housing does is provide professional help and that family and friends back out when they're in supportive housing. Much to my pleasure and, frankly, relief, the research shows that this is not the case. People in supportive housing get the same amount of help from family and friends as those in apartment buildings. So for those seven years, they get the same amount of personal support too. It's not CCAC, but it's the same thing as CCAC services. But it's not that that keeps them the seven years longer. They don't get more personal support in supportive housing; they get a multiplicity of supports. This multiplicity of help as needed is what is keeping them in the community.

All that research is going to show is that the kinds of work we do in the community with seniors—this particular organization, VITAL—but we do it with the homeless and housing, the full paraphernalia of social services, is a low-cost way of keeping people healthy and living at much less cost to the state and the taxpayer.

To finalize, I'll just say that three days before Christmas there was a 98-year-old man living in central Toronto who fell and was on the floor for 20 hours before he could get help. He was then in hospital for a day and a half, and emergency told him and his family that he had to go home. By pure coincidence, he was the uncle of the professor at the U of T who was doing this study. The said professor, naturally, having done the study and knowing a certain amount about the system, phoned me in a total panic; I've never heard anything like it: "I don't know what to do. What can I do? He's being sent home from hospital. He lives in a house with great, steep stairs. He can't cope." I said, "Well, how ill is he?" He said, "Oh, he's frail on his feet. He needs a walker. He doesn't even take an aspirin. But here he is. My parents are 80. They can't cope. We don't know what to do."

Well, by pure luck, we had a space in one of our supportive housing units where we could put him. He was quite happy there over Christmas and now has to decide whether perhaps he needs something more than his private house. Clearly, an apartment in a supportive housing unit would be great for him. But it's the ability to respond like that. Unlike the CCACs, for example, which closed down for two days—or was it three days? I think it was three days—during the power blackout, our agencies walked up the 16 flights of stairs in those apartments in Toronto to deliver food or water to people who were affected by the blackout.

We are the court of last resort in our community, but unfortunately we're also the court of last resort when it comes to lobbying. We don't have the money to pay the huge lobby fees that the hospitals and the nursing home industry have, so we tend to get forgotten. So I basically come today, on behalf of my colleagues in VITAL, to ask you to please try to remember us when you're doing your budget. It's not a huge amount of money, and I know

you've got millions of calls. Like the mayor of Kingston, we also feel that we are somewhat forgotten. Certainly in terms of seniors, we did an analysis and the city of Toronto has quite a bit less money per senior than the rest of the province, but basically we're forgotten.

0920

The Chair: I would ask you, before we go to questions with Mr Prue, to identify yourself for the purposes of our recording Hansard.

Ms Leon: My apologies. I am Judith Leon. I am the executive director of Neighbourhood Link/Senior Link in Mr Prue's riding.

The Chair: Thank you. Now we'll go to questions from the NDP.

Ms Leon: At least you know what we're about.

Mr Michael Prue (Beaches-East York): Yes; I do know what you're about. I'd like to go first of all to page 7, where you have, "Fulfilment of the Premier's written commitment to increase the Ministry of Health and Long-Term Care portion of the base funding for community support agencies by 25%." When, exactly, was that commitment made?

Ms Leon: It was made before the election. We got buses and followed the three party leaders around. I have perhaps some background with the Liberal Party—I have a lot of background with the Liberal Party. The present Premier knows of our organization and has always been very supportive anyway, but he was kind enough to put that in writing. The 25% is a huge-sounding figure but in fact I think the increase in the cost of living since we had our last base budget is something like 23%, so he was kind enough to round it up to 25%. I'm sure the government will reach that target; the question is, how soon? We're laying off staff right, left and centre. For years we've coped by pulling in volunteers and, frankly, stealing—well, I should not say that, should I?—adjusting our administrative costs so that more of my salary, for example, came out of federal government funding than out of provincial. The feds have been funding you guys for quite a few years now in my sector.

Mr Prue: Page 6: "Minister Smitherman had hoped that the 3.5% increase would at least stem further layoffs." You've said that there have been. How many layoffs have there been in the 17 agencies that are part of VITAL?

Ms Leon: Michael, I've not gotten around to adding it up. I can only tell you that in my agency, which is an average size in terms of the seniors' services that we provide, before the election we had laid off 5.5 people, mostly senior staff, because you can get more value for the bucks if you lay off senior staff. In the long run, it's disastrous. Since then, I've laid off another two.

Mr Prue: You have written here what is likely to happen unless you get an increase. I just want to find that.

Ms Leon: It's probably at the very end, isn't it?

Mr Prue: Here it is, on page 6 again, a little bit further down. "Without an increase in base funding: smaller agencies may have to close their doors; ... re-

duction in services; elimination of ... programs; reduction in subsidies to low-income seniors; further increase to waiting lists; staff retention will continue to be a problem."

You're right; this \$7.3 million doesn't seem to be very much money.

Ms Leon: It's more for the province, but most of the community support agencies, unfortunately, are not spread evenly throughout the province. They've grown up in the larger municipalities. Land O'Lakes is one, for example, but mostly they're in the urban areas.

Mr Prue: The \$7.3 million: When you say Toronto, is that the GTA or is that the city?

Ms Leon: It's the GTA.

Mr Prue: The GTA makes up about a third of all the people in Ontario, maybe even more than a third. Even if there were the same number of people in all these other communities, you're not looking at more than \$20 million.

Ms Leon: Well, if you're thinking, as we do, of community agencies, no, you're thinking of less than that. But the Ministry of Health and Long-Term Care adds things like hospitals doing research projects into our sector, for some unknown reason. So if they insist that it's even throughout their entire funding envelope, it would be more than that. As a fairly rough guess, I think it probably would be about \$35 million or so, but that's because totally inappropriate things are added.

Mr Prue: Do I have more time? One minute? OK.

This budget is going to come out in April. Can your groups last that long?

Ms Leon: We keep finding other ways to fund things, but certainly programs are being closed. My colleague agency, WoodGreen, has just closed two programs. We've reduced our programs for newcomer seniors by 50%. Those are the people who are living with their families, often three families in a one-bedroom apartment. Trying to help those seniors is quite critical, but we've had no option. We've had to drop 50% of our staff in that program.

The Chair: Thank you for presenting this morning.

KINGSTON ECONOMIC DEVELOPMENT CORP

The Chair: I would ask the Kingston Economic Development Corp to please come forward. Good morning, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes for questioning after that. I would ask you to identify yourselves for the purposes of Hansard, and you may begin.

Mr Bernie Robinson: Thank you. My name is Bernie Robinson. I have Jeff Garrah beside me and Cliff Edwards on my left. We're here to represent KEDCO.

Mr Chairman, committee members, welcome to Kingston, and thank you for providing me with the opportunity to speak with you today as part of your pre-budget hearings. My name is Bernie Robinson, and I am the chairman of the board of directors of the Kingston

Economic Development Corp. I am joined today by Cliff Edwards, whom I already introduced, and Jeff Garrah, from KEDCO. Jeff is the director of government relations, and Cliff is the director of tourism. Following my remarks, Cliff will share a few words with you around tourism.

KEDCO's mission is to build a prosperous and vibrant community based on a thriving local economy and a foundation of service excellence. Last year was a time of transition for KEDCO through a restructuring and clarification of our mandate and objectives to reposition ourselves to play a leading role in creating a healthy economy for our city. The issue today, I believe, is how you can help us through the provincial budget process to achieve our goals so we can create a stronger Kingston and eastern Ontario which will contribute to an even stronger Ontario.

First, I wanted to mention what has been working well. The provincial government has supported our region in terms of investments, research and technology, and tourism partnerships, among other issues, and for that we are thankful to you.

Although KEDCO is involved in many sectors, including alternative energy, biotechnology and retail development, I would like to briefly outline to you the important focus we plan to take on the manufacturing sector in this area.

Kingston and eastern Ontario have, as have some other communities in Ontario, been witness to a major decline in manufacturing and industry. Our major industrial employers in Kingston, some of which included Bombardier, Alcan, Dupont and Norcom, have all seen reductions in business and workforce numbers over the years. While we could get into a day of history on why this has happened, it does not take away from our goal: We need to be there to assist our local industry and manufacturers, and so does the provincial government, to ensure a thriving economy moving forward.

While it is important for us as an organization to be recruiting industry from outside our region, we also need to focus on assisting existing organizations' expansions. To do so, they need help to compete in highly competitive markets. What we need from the provincial government is a reduction of tax rates and increased access to capital through grants or low-interest loans for expansion.

While I applaud the provincial government for allocating millions of dollars to the automotive corridor, somehow we in eastern Ontario have fallen off the map in terms of our thriving and developing tier 1 and tier 2 auto suppliers. Assistance ranging from \$1 million to \$5 million in grants or low-interest loans could greatly assist some of these companies in forging ahead. They are not asking for the \$100 million that was given in the Oakville area.

0930

In a document entitled Invest Ontario 2004-2005, the Ministry of Economic Development and Trade outlined four initiatives for the provincial government: an Ontario

automotive investment strategy, Go North, investment market diversification, and investment servicing. Of these four priorities, two are region-specific and have excluded eastern Ontario. I understand, however, that the ministry is currently looking at some issues in eastern Ontario, and I am grateful for that attention. My message on this is simple: When developing budget programs, think of all regions, not just some. We need to work on a comprehensive approach to maintain and expand manufacturing and industry not only in eastern Ontario, but in all of Ontario. Please consider this as you move ahead with the budget.

Other issues I hope you will address include investment in infrastructure, which currently for us in Kingston is a major disadvantage in recruiting new businesses. I also hope you will continue to focus on the commercialization of research, which I know Queen's University is very much involved with.

Without any further comments, I'd like to turn it over to Cliff, and then perhaps you'll have some questions for me.

Mr Cliff Edwards: Hello, everybody. It's a pleasure to be with you.

Tourism is a large industry, particularly in this area. Recently, the Ministry of Tourism shared with us some of their future strategic plans for tourism for Ontario in the upcoming years. They had identified many issues that were problematic for Ontario and had identified a framework for action. They were sharing with us information about Toronto, the fact that since 1980, long before some of the world events, Toronto was losing market share, and that Ontario's tourism industry as a whole was losing market share not only to some other provinces in Canada, but certainly other places in the world.

After listening to that, we were encouraged to suggest that we would get involved with the ministry's direction by aligning ourselves with some of those frameworks for action. We have identified three main ones as to how we are going to go forward. The first one was embracing a visitor-first philosophy, the second was unique product development, and the third was strategic marketing.

We've had an association with the Ontario Tourism Marketing Partnership Corp for several years, and we are very grateful for that association. We invest monies into that program and they provide us with matching dollars. It's very important to this region.

One thing they had identified as important to the future of tourism in Ontario, and certainly in this region, was that regions were going to have to be highlighted for the future. We are in the Thousand Islands region, as you know, and we're also part of the Rideau Lakes/Rideau Canal cultural waterway region. The eastern Ontario region and the St Lawrence are going to have to be highlighted in the next several years if Ontario is going to grow in the tourism industry, and Kingston is a major part of those regions. LOOKING at the Rideau Canal waterway in the future, as we know, they're going for a world designation and they're also going to be celebrating their 175th anniversary. Kingston is at the

bottom of the Rideau Canal, and Ottawa is at the top. The St Lawrence marketing partnership we're involved in is growing, and it's going to be growing into the future. All of the communities along the St Lawrence are involved in a partnership in hopes of creating new product development for that region. We are also a part of that.

Kingston is a wonderful tourism destination, and Kingston is now embarking, with a new energy and within a new framework, on a plan to create Kingston as a unique destination for our visitors from the United States, Ontario, other parts of Canada and Europe. We are embarking on a plan for the next three to five years. We're going to need your help. We are aligning ourselves to the ministry's plan, and we're going to go forward in hopes that the ministry can help us create the kind of tourism industry that this province deserves and in which Kingston wants to play a major part. We are hopeful that when we come to the table, you have open arms in terms of what we're providing and what we're hoping to align ourselves with—

Interjection.

Mr Edwards: Pockets, yes; we can throw that in.

In fact, we believe that, if we are together, we can forge ahead in terms of Ontario as a preferred tourism destination for the rest of the world. Thank you.

The Chair: Your time has expired for your presentation. We'll move to the government for questioning.

Mrs Carol Mitchell (Huron-Bruce): I would just like to ask the question: You're talking about forming your plan to reflect the provincial tourism reports. Do you feel that the tourism ministry has moved forward? You talked about the regional: Do you feel that that's an appropriate way of attracting tourists, moving in that regional outlook? Are you supportive because it's a provincial initiative, or are you supportive not only because of our pocketbooks but do you also feel that it's a reasonable approach to promoting tourism within your area?

Mr Edwards: We absolutely do. In fact, Kingston has been promoting the region for many, many years and been part of the regional partnership long before the strategic plan from the ministry in terms of the future direction. We do believe in that.

I think we have some issues facing us in terms of product in the eastern Ontario side through the Rideau Lakes region. I think we're working on developing new product to build that area. Kingston is going to be taking a major role in that. We have the infrastructure here, we certainly have the waterway, and we have all of the elements needed to provide those visitors with what they need. We're going to have to help those regions move forward, and we want to become a major part of doing that. We're hoping that the ministry will align themselves with us, and we with them, in terms of moving forward in that direction.

Mrs Mitchell: Just as an individual representing the provincial government, could you give me what your priority would be? You listed some priorities, but what would your top priority be in moving forward with tourism?

Mr Edwards: We're a partner-based organization here. We reflect our partners in the tourism industry, and we reflect our community's needs. Kingston is coming to the table with our partners in terms of financial commitment. We would like to think that in the future tourism in Kingston would not only lead the way in terms of building tourism for Kingston but help to build tourism for the region in the future.

Mr John Wilkinson (Perth-Middlesex): Just on the economic front, it would strike me that there are communities across Ontario that would give their eye teeth to have what you have from an economic point of view. You're right on the 401 corridor, halfway between Montreal and Toronto, beside the US. You've got a world-class university. You've got one of the greatest colleges in the province. You're right; I grew up in eastern Ontario, where traditionally it hasn't been as economically advantaged as other parts of Ontario. But the idea that some of your major industries have started to leave—you know, the money that's going into the automotive sector of course goes down to all the different part manufacturers. There's a trickle-down effect from that. I'd be interested in how you see that potential. What are the one or two things that are so key to help you turn that around? You've got everything you need. You have some advantages here that other communities—and so, just about your strategic plan on how to turn this around and make that better.

Mr Robinson: That's a great question; thank you. My answer to your question is, it's about the environment. There's a groundswell in Kingston now to develop a willingness to be open for business. When you look at our great city, you're absolutely right about all those resources. I'm an international businessman myself, and I love Kingston, for many of the reasons that you've just pointed out. I look at Kingston in this respect: You've got one of the finest universities in the world here. Travel out of Kingston, and you'll find applications for their products that they create from their R&D.

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You have business people who have grown up in Kingston and travelled a good part of the world and been successful doing business. I see this huge gap in Kingston in terms of how we create an environment going forward where we attract those young career people who have graduated from Queen's—gone off somewhere else in the world, now are 35 to 45 years old—who would see Kingston as a place to come back, bringing their intellectual capital with them, their successful experience, and building something real in Kingston that will stay here.

I see Queen's struggling the same way, with all of their great research, looking for commercial applications in Kingston. So how do we do that? Well, we have to change the environment, we have to change our attitude, we have to be open for business going forward and encourage you to support us in terms of justified capital to provide investment for those young folks who see those opportunities; not a city where ideas come to die but where ideas get carried forward into a real business

that's going to create jobs in the future for the entire area, eastern Ontario as well as Kingston.

That's the willingness we're building on today, and some very positive changes have come about in the last year.

The Chair: You have about 30 seconds left.

Mr Robinson: So in conclusion, that's where we're planning on going. We are open for business and really grateful your support to help us get there.

The Chair: Thank you for your presentation this morning.

ST LAWRENCE COLLEGE

The Chair: I would ask St Lawrence College to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning after that. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr Volker Thomsen: My name is Volker Thomsen. Good morning to you. I am very honoured and pleased to have your ears for 10 minutes. I hope I can fill them with some meaningful comments and ideas.

St Lawrence College is a typical small or, let's say, medium-sized college in a rural setting covering an area of approximately 200 kilometres times 70 or 80 kilometres. We cater to a population of around 5,000 full-time students, 20,000 part-time students and 2,000 apprentices in apprenticeships. Then we have a special program—Job Connect—where we cater to approximately 4,000 unemployed people in Ottawa, Kingston and Brockville. I'm mentioning this program because it is a significant program as a bridge for unemployed people to connect to employers and find a meaningful pathway.

I would like to start my presentation with a saying I'm always using when I'm introducing our present situation. I've done this for years. Some of you may have seen it and may be tired of it, but it is unfortunately still the situation. The gap is widening between other provinces and Ontario and it is becoming critical for St Lawrence College, so critical that in spite of having had a growth of 1,000 full-time students in five years, we had a decline in funding at the same time of more than \$1 million net.

Why is that? The key reason is that within the last 15 years a probably well-designed growth model for funding actually deteriorated as a source of funding, particularly for rural colleges. That happened because when you have a growth model and the pot was reduced—and this happened during the period of various governments, so there is not one specific area to blame or praise. The fact is that a college in a metro setting, particularly Toronto, would probably gain by 10 or 15 points a year, because they would have a growth of 20%. Our growth would probably be 1% to 5%, and every year we would lose.

This is very crucial. Because of this, the Ontario association of colleges did a socio-economic impact study to compare our situation with other provinces. We were lucky to find an American organization that had

done hundreds of these. They hadn't done any in Canada as such, but the province of Alberta and the province of Ontario's associations of colleges were very interested. So we did an impact study for Alberta and Ontario at the same time, more or less.

When you look at the interprovincial comparison note, you will see that Alberta's funding for college students is \$7,789, whereas Ontario's funding—and this is including tuition fees—is \$5,800.

The stunning result of the survey was that the return on the investment is actually much higher in Alberta, roughly 14.6%, whereas the return on investment in Ontario was 12.4%. In spite of the fact that they invest 40% or 50% more into this type of education, the return is still higher. I think this speaks volumes.

The fact of concern to me, of course, is not that we are not able to deliver this type of teaching and training at an even lower cost but that it will be at the cost of deteriorating quality. If you start out with classrooms, in an applied environment, of 15 or 16 students and you end up with 30 or 35 students, you are in a great dilemma.

I just want to mention one example. A class of a marketing course on our Cornwall campus may have 20 students. It's a viable operation, the ideal class size, but if funding goes down, we really need to increase the class size to 30. We can't do that. Can we, because of that, close down that program? We can't really. At the same time, in a city setting in Toronto, if funding goes down, you just combine three classes into two. You have a mechanism.

The danger, of course, is then to allocate for it and say to the rural colleges, "You are not as efficient, not as well-functioning as the city colleges." It's not true; I would even claim it's the opposite, because the rural colleges have so many other functions—and have so many other tasks and opportunities, of course.

Therefore, I want to emphasize that it's the smaller, the rural and the northern colleges that are particularly struggling. It's very apparent when you analyze the balance sheets of all the colleges, and I've done that. You will see that 11 colleges in a metro setting together have probably 90% of the resources. We are wandering a very, very narrow line, and it's coming to an end.

I'm an optimist. I've been an entrepreneur my whole life and I can say I'm still very optimistic, but something has to change. If we don't do that, it will just end up that in eastern Ontario we may not even be able to keep the Kingston campus. We cannot be compared with large centres.

That's why I've included in my package the summary of our presentation to Bob Rae, The Unique Contributions and Challenges of Small, Northern, Rural and Francophone Colleges. It's a very important document. This is only the summary. I would encourage you to read this, because this is of great impact for the economy and the future of Ontario. It will only take a few minutes.

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I would like to emphasize that I also will present to you a few positive thoughts and ideas. I certainly believe

in moving forward in a positive fashion and I don't believe in just complaining and whining. I don't think that will really, truly get us out of it.

You heard from the KEDCO presentation that Kingston is struggling; yes, we are. We have wonderful institutions. Since I came here, I must say, I have tried to lead the community to be much more united, and when I say "the community," I mean the entire community. But a prominent effect was Queen's attempt to dominate a small city like Kingston. Of course, there are many good traditions and there are great values and there are great opportunities. On the other side, there is also a downfall because then everybody focuses around it. It's like the dance around the golden calf.

I was very saddened when I started to find that the college was not even considered a vibrant part of the city, in reality. We have changed that, I must say, also with the help of the people at Queen's. Queen's just appointed a new principal, a woman who will bring change, and she and I have agreed that we are going to "dance with change" together. It's her expression; I find it very unique. She probably was struggling to find out how you can change an environment based on a few hundred years of tradition, and she actually selected the words "dance with change." I endorse that wholeheartedly.

There are other opportunities in eastern Ontario, and we are thankful for the support you have given us. We founded EASTCAT in Brockville a few months ago. It will start its operation in the next few days. Actually, we have hired people. Just to explain, EASTCAT means Eastern Ontario Centre for Advanced Technology. We basically copied NORCAT, which has been very successful, and was based on the principle of, I would say, the Scandinavian success story of how technology centres in rural areas actually developed at a significant pace. Scandinavian countries today are world leaders in innovation and productivity.

So I just want to emphasize that there are opportunities there. There are many other opportunities if we can avoid duplication of services, less competition between universities, colleges and other partners and work more together, creating a seamless system for education. That would be tremendously helpful.

I developed a proposal which is very unique. It's based on finding opportunities for all students. Right now in Ontario, roughly 25% of all high school students drop out and approximately another 25% will never, ever again get any additional formal training. So 50% of our society is left out and considered done, in a way. We are very arrogant and we don't really consider them very productive, and that is a major mistake. I'm delighted to say that St Lawrence College really has led the province to reactivate apprenticeships. There has been an emphasis, in both the last government and the present government—I'm very thankful for that, but it's about time. It will create a lot of opportunities.

I will finish in a moment. Our proposal right now to the Ontario government is to really try out some major pilot projects to focus on student pathways. We cannot

build a post-secondary education review without reviewing education. Without a proper foundation, I don't think it's good timing.

I worked for four years at all four of the eastern Ontario school boards, and they are now united in this vision, together with St Lawrence College, and we are going to get support from Bob Rae. So we are proposing to our ministry and to the Ministry of Education to think outside of the box. Let's try to jointly address this and probably even mix teachings, so that some teaching of college credits will happen at high school and vice versa. That will have a dramatic economic impact on the long-range plan, and I think it's absolutely needed for Ontario if we want to continue to be part of the global but also the Canadian economy.

The Chair: Thank you, sir. We're going to have to move to questions now.

Mr Thomsen: Great. I am also finished. Thank you.

The Chair: The questioning will go to the official opposition.

Mr Runciman: I know from experience that Mr Thomsen can keep our attention for an extended period of time because he is a fascinating presenter, and he is an idea person. I want to say in his presence that, in terms of eastern Ontario, I think we're very fortunate to have Volker Thomsen as the president of St Lawrence College. He has certainly brought a great deal of enthusiasm to his role and has inspired the communities that have campuses of St Lawrence in them: Kingston, Brockville and Cornwall. Certainly in Brockville and Cornwall, prior to his arrival, there was some real concern about the future of those campuses. So thank you for that, Mr Thomsen, and the job you've been doing and will do in the future, we hope.

You and I have talked about this growing gap with respect to support across Canada for the college system. You referenced Alberta versus Ontario. Where does Ontario stand in terms of all of the provincial support? Where do we rank on that list?

Mr Thomsen: We're actually ranked at the bottom.

Mr Runciman: At the bottom.

Mr Thomsen: Yes, and the gap is widening at the present time.

Mr Runciman: This is sort of a hobby horse of mine, and I've talked to you about this before. It's a pressure facing the current government and it has faced predecessor governments, and that's the impact of health care costs on the operating budget of the province. I think it's taking up about 50% of the operating budget now, and they're trying to deal with that in their own way. But one of the things I feel is that other organizations, other sectors that rely on the provincial government for support, should be taking a more active role and not solely focusing on their own area and the impact of underfunding. That's certainly important and critical; there's no question about it. But how do you assist the provincial government? How do you provide advice and support and, quite frankly, apply pressure so that they will start to look at some of these other areas where they

can hopefully free up dollars outside of the health care envelope to assist in critical areas like education?

As I said, a personal hobby horse of mine is equalization. You and I had this discussion a couple of years ago when the president of the Ontario Hospital Association appeared before the Romanow commission and talked about equalization and the amount of money flowing out of Ontario to support these other provinces, which are now ranking above us in many areas. I think an argument can be made that Ontario taxpayers are supporting the college systems in other provinces to a greater degree than they are in their resident province. I believe there is a first ministers' conference this year with respect to equalization, dealing with equalization issues, and I think Ontario should be taking a very careful look at this and ensuring that Ontario is getting a fair deal in Confederation.

If you take a look at the OHA, which was dismissed by Mr Romanow for his own reasons—I think political and philosophical reasons—the college sector, the university sector and other sectors that are under strain and not able to do the job that needs to be done in this province should be lobbying in that area as well to encourage the provincial government to take a more activist role. It's a difficult one, in some respects, in terms of being good Canadians.

The Chair: You have about a minute and a half, Mr Runciman.

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Mr Runciman: I'll let the president respond. He and I get into these philosophical discussions on occasion.

Mr Thomsen: That's quite a broad question. I would like to answer that there are great opportunities to save within the health care system, particularly if education and health care would work more closely together, educating ourselves and society about prevention, fitness and lifestyle.

In the last two vacations, actually, I have written a book which is called *Canada Enroute to Prosperity*, where all these issues are addressed, and I believe that every member of the provincial and federal government received a copy. There are actually a lot of opportunities addressed and pointed out in this book. It's a labour of love which really was done for the college, not for my own purpose, and I would encourage you to read it. It will really give you a view of interesting opportunities.

The health care system will take every dollar, eventually, if we don't turn this around, and the key is, of course, in education. I'm delighted and honoured that, at the end of my career, I'm allowed to participate, and I hope that you will see it the same way: We need to change the direction, and the only way we'll get out of this hole will be by focusing on prevention, lifestyle and a lot of other areas.

So I think there are great opportunities of tremendous savings in the future. I don't doubt for a moment that there's plenty of money, and I've made many innovative proposals. I've made a proposal to the trio of Gerard Kennedy, George Smitherman, and Mary Anne

Chambers. I've met all three of them. I believe they understand what I'm talking about, and I believe it's a very realistic proposal.

Equalization: I'm, of course, trying to talk the federal government into considering that not only universities deserve some funding. Applied research is a thing which in Canada, unfortunately, seems to be a foreign subject. We're all champions in research; we are lousy in applied research. I think the relationship between medium-sized and small companies and colleges, and hopefully also universities, lends itself in Canada, with 200 community colleges and 900 communities, to develop the type of community economic development I was just talking about with EASTCAT. I hope that you all will have the opportunity to study these interesting models.

The Chair: Thank you for your presentation this morning.

Mr Thomsen: Thank you. I hope you will be able to study this a little bit.

RON LYON

The Chair: I would ask Ron Lyon to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning following that. I would ask you to identify yourself for the purposes of Hansard, and you may begin.

Mr Ron Lyon: Thank you. My name is Ron Lyon. Today I am accompanied by my wife Tina. We live in Smiths Falls, Ontario.

The Canadian tainted blood disaster and the pre-1986/post-1990 victims of hepatitis C: Mr Chair, committee members and staff, and media, today I would like to take a few minutes of your time to speak with you about the Canadian tainted blood disaster and how it is continuing to affect over 3,000 residents of Ontario.

My wife was infected with tainted blood in 1985, after the birth of our son John. She received massive transfusions which, at the time, saved her life. Some years later, she would learn the reason for her rundown state of health: hepatitis C.

In the late 1980s and early 1990s, most of us, including a lot of doctors, did not know much about hepatitis C. At the time, it was simply called hepatitis non-A, non-B. Doctors liked to say, "You will die with it, not from it."

For over 10 years, we—Tina, infected with it, and I, affected by it—have been activists in the promotion of appropriate treatment of our victims and families. In the spring of 1998, our federal, provincial and territorial governments agreed to assist some victims: those infected between 1986 and 1990. The rest of us are referred to as the "pre-86/post-90" group—the forgotten victims. In September 1998, all levels of government agreed, after initially ignoring our pre-86/post-90 group, to provide care, not cash; treatment, not payment. This help has never been delivered.

In 1998-99, our government of Ontario became the leader of all the Canadian provinces and territories when

it awarded our pre-86/post-90 victims some financial assistance. They created the Ontario hepatitis C assistance plan and set up a liability account with \$200 million, which ultimately made \$25,000 available to each proven infected person. That assistance was certainly appreciated, and we thank our Ontario government. OHCAP has 3,400 clients, which is 44% of all Canadian victims and has spent about \$85 million of the total \$200M.

Many of our pre-86/post-90 victims have not worked in years and years. My wife, Tina, last worked in 1990, and this has certainly affected our family income. During these past 14 years, Richard, son number one, completed his post-secondary education and graduated in 1994. Last year, in 2004, his educational debts were retired. What a coincidence: In 2004, John, son number two, completed his high schooling and has now commenced his studies at Carleton University. I am sure that our situation is very similar to a lot of our pre-86/post-90 hep C victims of tainted blood. As I stated previously, Tina and I have been promoting this cause for some years and feel a continuing responsibility to speak out on behalf of our fellow victims.

From August 1999 to July 2000—a full year—Tina underwent Rebetrone treatment. This consisted of a self-administered injection three times a week, daily pills, other residual drugs to alleviate nausea and other side effects and regular visits to her hepatitis C specialist 50 miles from home in Ottawa. Yes, that is right: a full year. Cost of this treatment is expensive, but we thought costs would be covered by the September 1998 care, not cash decision; treatment, not payment. This help, as I stated previously, was not collectible.

Most recently—every week, it seems—we see many media stories about our forgotten victims of tainted blood and how being infected and affected has devastated their lives and livelihoods. Health Canada says it cannot deliver health care directly. So much for care, not cash; treatment, not payment. They say this help must pass through provincial hands. I repeat once again: This agreed-to help is not being delivered to us in Ontario, and I restate that 44% of all Canadian victims are from Ontario.

During the past decade, Tina and I have been meeting with federal and provincial members of Parliament and Health Canada officials, writing and continuing to write dozens and dozens of letters and making and continuing to make hundreds of phone calls to try to create more interest in assisting our victims and their families.

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Today, I ask your committee a question: Is it possible for our Ontario provincial government and the Ontario hepatitis C assistance plan to consider upgrading the level of assistance given to our victims? Possibly your committee could recommend further assistance to our approved OHCAP clients who can no longer work and have had to pay high medical bills over the years. I understand that about half of the OHCAP clients could qualify if this was offered. There are ample funds avail-

able in this liability account to extend this help to those of us who have had their lives in turmoil for years through no fault of our own.

Our victims and their families have been most patient through the years. However, we are growing tired and weary. Are we destined to remain the forgotten group of hepatitis C victims?

Thank you for listening to our presentation and the continuing story of our tainted blood pre-86/post-90 victims of hepatitis C.

The Chair: Thank you. The questioning will go to the NDP.

Mr Prue: In the presentation here, you write and you have stated that you have had meetings with federal and provincial members of Parliament and Health Canada officials. Have any of the provincial members of Parliament offered support and, if so, which ones?

Mr Lyon: Our member of Parliament is Mr Norm Sterling. We've had several meetings with him and we've had different ideas thrown around as to what can be done. He's suggested and has sent several letters to the health ministers through the years on our behalf, and we are here today. What has been accomplished? I don't know.

I should also state that this past month, Tina and I met with Mr Bob Runciman, interim leader of the Ontario opposition. Even though we do not live in Mr Runciman's riding, we met with him to discuss the situation.

Mr Prue: There's been a new government in Ontario, of which I'm not a part, for the last year. Have you met with anybody since the new government took office?

Mr Lyon: We have not had a meeting with Mr McGuinty. We have asked, and it's not possible.

Mr Prue: Have you asked for meetings with any of the Liberal members—Minister Smitherman, his parliamentary assistant—or anybody of that nature?

Mr Lyon: Tina has exchanged numerous letters with Mr Smitherman over the past year since he was appointed health minister, and most recently, on January 2, we sent another letter to Mr Smitherman.

Mr Prue: And has he ever responded?

Mr Lyon: He has responded in letters. An Ontario task force has been struck. So far, they have not had any meetings. It was struck on October 1, I believe. Mr John Plater has been named the chair, as I understand. I did speak to him a couple of weeks ago, and nothing has been done with regard to that yet.

Mr Prue: This is not usually stuff that's run on budgets; it's more health stuff. Have other provinces acted differently than our own?

Mr Lyon: As Tina and I said, Ontario is the leader in Canada; it has been the leader and was the leader first of all. They established the \$25,000 fund. It was originally \$10,000 and they upgraded it to a total of \$25,000 for the victims. I understand there is a similar organization in Manitoba, British Columbia is supposedly forming one, and Quebec has already formed a similar group to OHCAP, the Ontario hepatitis C assistance plan. The same amount of money has not been extended to those

people. Ontario was the leader and it still is the leader, but that does not mean that Ontario cannot be better.

Mr Prue: Those are my questions, thank you.

The Chair: Thank you for your presentation this morning.

Mr Lyon: Thank you very much. We appreciate the opportunity to be with you all today.

CATARAQUI REGION CONSERVATION AUTHORITY

The Chair: I call on the Cataraqui Region Conservation Authority to please come forward. Good morning. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording, Hansard. You may begin.

Mr Steve Knechtel: Good morning. My name is Steve Knechtel, and I'm the general manager with the Cataraqui Region Conservation Authority. I believe a copy of my comments is being handed out to you and I'm going to basically zip through them.

First of all, thank you for the opportunity to make the presentation. Our organization, like all other conservation authorities, is a partnership of municipalities, extending from Napanee to Brockville to Newboro, in the greater Kingston area. Our prime focus is the conservation of natural resources, with the intent that current and future generations enjoy clean, healthy and safe watersheds throughout our region. We also provide opportunities for access to and enjoyment of the natural environment.

We are one of 36 conservation authorities. Together, we serve 90% of the population across Ontario. We have a track record of collaboration with municipalities and interest groups to lever funds and are proud to deliver practical, prevention-oriented solutions to natural resource issues, and we do so on a watershed basis.

I bring forward two aspects for consideration by the committee. The first relates to the reinvestment by the province in watershed management, while the second pertains to investment by the province in recreational lands. The conservation authority views its role not only to conserve natural resources but to contribute to the quality of life and the local economy. Much of what conservation authorities do collectively supports the goals of the province. Provincial support for our initiatives is warranted to build a stronger Ontario.

I must acknowledge with thanks the significant investments by the province recently in drinking water source protection planning, in matching dollars for the repair of water control infrastructure and in recognition that conservation lands are part of the conservation land tax incentive program. These are recent initiatives. However, I would suggest that the province needs to examine one other investment.

Conservation authorities are eligible for transfer grants for flood and erosion control aspects of our watershed management programs which are oriented to protect life and property. Historically, the member municipalities

and the province equally shared program costs as reflected in the policies and procedures manual prepared by the Ontario Ministry of Natural Resources in 1997. While there has been no change in the eligibility criteria, the funding proportion contributed by the province continues to shrink. This has put pressure on our member municipalities for levy just to maintain these programs, let alone deal with other initiatives of local importance.

A submission to the province outlining a proposed reinvestment in this aspect of conservation authorities was made in 2004 by our umbrella organization, Conservation Ontario. The reinvestment submission identifies three issues and seeks fair and equitable investment and sustained funding. The issues are that transfer payments for flood and erosion control management to conservation authorities today by the province are well below the 50% mark; areas of provincial interest, such as municipal plan review, Great Lakes shorelines and flood plain/hazard land regulation, that are included in the policies and procedure manual as eligible for grant, have been excluded without consultation; and there is no provision for indexing the grant to the cost of living to keep the cost share on an equal basis.

Appropriate funding by the province will allow conservation authorities to deliver existing programs and strengthen the provision of services to conserve local watershed needs.

The province in the past has recognized working jointly with local municipalities and at one time provided around \$40 million annually to conservation authorities for watershed conservation work. Today, this level is at \$7.6 million.

I'm going to paraphrase a little bit just to skip through the last part of this page. The point I would like to make is that regarding many of these aspects, particularly plan review and the flood plain/hazard land regulation, these are responsibilities delegated to conservation authorities by the province, and therefore we act on behalf of the province as a lead in these matters. Both of these programs provide a preventive nature to reduce potential future investment in infrastructure and also provide the opportunity to protect many interests of the province.

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Conservation Ontario's report, Reinvestment in Ontario's Conservation Authorities—Now and in the Future, outlines that there is a \$13.8-million funding shortfall for the provincially mandated work of conservation authorities. At our conservation authority, all of our member municipalities supported the submission to the Minister of Natural Resources, and we respectfully ask that the 2005 budget address the shortfalls identified by increasing the provincial transfer payments to the conservation authorities for mandated programs of provincial interest to \$21.4 million.

I would also like to add that there is a supporting view of the value of conservation authority programs, as well as those of others, in a 2004 report prepared by Ducks Unlimited Canada entitled the Value of Natural Capital in Settled Areas of Canada. I won't go into the details of

that, but it's certainly something that would be worth looking at in considering this request.

The other request I'd like to bring forward relates to provincial investment in recreational lands. Again, I need to acknowledge the leadership of the province for the ongoing preparation of a trails strategy coordinated by the Ontario Ministry of Tourism and Recreation.

The Cataraqui Region Conservation Authority owns over 4,000 hectares of land, including a 100-kilometre-long trail over an abandoned railway, the majority of which forms a portion of the Trans Canada Trail, and 15 places to launch a canoe or boat in the numerous lakes and rivers throughout our jurisdiction. We are being pressured on at least three fronts to maintain these facilities. Pressures include a growing urban population, adoption of healthy lifestyles, and aging infrastructure.

There is an increasing demand for connected recreational facilities related to citizens accepting the challenge to reduce atmospheric pollution, appreciate the natural environment and get fit mentally and physically. This both stresses the existing facilities and generates desire for improvements and acquisitions. We're stretched now to maintain what we have, let alone repair and enhance it.

A 2004 study entitled *Economic Impact Analysis: Trans Canada Trail in Ontario* outlines the value of recreational lands to local economies. It is clear that trail construction and maintenance link to user expenditures and ultimately contribute to the provincial tax pot. However, the study indicates that user expenditures accrue mostly to those other than the trail owner or facility provider, such as the conservation authority. Fortunately, the study indicates that government contribution to infrastructure could be recovered in a few years through tax revenue.

The province is taking an increasing interest in access points, greenbelts and trails. Supporting funds from the province will allow conservation authorities and other organizations to continue providing needed recreational lands and contribute to the provincial economy. This would also contribute to Ontario's rural plan initiative.

We request that the province carefully review the recommendations from the forthcoming trail strategy and include in its 2005 budget an allocation directed to addressing infrastructure requirements for improving the provision of these recreational lands.

Thank you for your consideration of these requests.

The Chair: The questioning will go to the government.

Mr Mike Colle (Eglinton-Lawrence): Thank you very much for your presentation. I want to say that I think in many ways you have challenges here, but as Mr Wilkinson said, it's certainly one of the most spectacular parts of the province, with the Thousand Islands, the Rideau system and Lake Ontario. Even if we look behind the hotel here, I don't know of too many hotels in the GTA where I can see wetlands through the back window. I think it speaks for itself.

This process that we're engaged in today was really part of what got the conservation land tax incentive

program going. There was actually a presentation made in that famous hotel in Peterborough, the Rockhaven, by the local conservation authority. One of the recommendations they put forward to us was that we look at incenting people who donate land or make land available for conservation, that that land be exempt from paying property tax, that this would be a great incentive without spending a lot of government money acquiring land. It's always a challenge, getting more money to conservation authorities and also to non-profit conservation land trusts. That was something that was highlighted by the presenters in Peterborough.

It was actually an initiative out of the Ministry of Finance that was brought forward to, I think it was, Minister Ramsay's office. They were great supporters in natural resources also of this initiative. Thankfully, after it took about a year to get it through the processes, that has been successful and is now a regulation which allows that exemption from paying property taxes. So I think it's going to be a great incentive not only to the conservation authorities but also for individuals who want to have land protected and to afford the land protection, because I know the conservancy has a lot of concern that they were not able to afford taxes in certain situations.

I just want to say that your submission here, and I know you've made a couple of other recommendations about the challenges you have with the erosion programs—is that the number one? I know there are a number of references. As members of the finance committee, who aren't dealing with conservation issues on a daily basis, would you like us maybe to follow in the footsteps of the Peterborough submission last year?

Mr Knechtel: In terms of the two requests that are outlined in my presentation, they're in order of priority. Our preference is collectively to have the reinvestment in the watershed management program. As I outlined, we are a partnership with member municipalities. If we could improve the funding on the watershed management program, that would allow the municipality in some of their funds to be transferred to the land-oriented aspects, which in many cases they see as a greater link to their community than some of the watershed management programs—visually, to the residents within the community. Not to downplay that particular aspect of the recreational lands—it's an infrastructure question there as well—but in terms of priorities, that would be it.

The Chair: Thank you for your presentation this morning.

SHERWOOD PARK MANOR

The Chair: I now call on the Sherwood Park Manor nursing home to please come forward.

Good morning, gentlemen. You have 10 minutes for your presentation. There may be five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard.

Mr Chris Butler: Good morning. My name is Chris Butler. My colleague is Dr John Southin. We are

directors and past chairs of Sherwood Park Manor nursing home, which is located in Elizabeth township just to the east of Brockville.

The purpose of our presentation is to inform the committee of the disparity between what was indicated in ministry funding to meet new standards and what is actually being provided and to assist with government planning for next year. We present the position of a typical not-for-profit nursing home.

The ministry sends money to the home in four funding categories: (1) nursing and personal care, which is for staff and medical supplies, medical director, some payment toward continence care products; (2) program and support, for recreation, physiotherapy, dietician services and related supplies and equipment; (3) raw food—just food and the dietary supplements; and (4) other accommodation. This covers utilities, building maintenance, housekeeping, laundry, office expenses, dietary services, insurance, bank and audit fees, water, mortgage costs, linen rental, continence care products, legal fees and all the other sundries.

There are strict guidelines on the spending in the first three categories, and what is not used must be returned. Any surplus in “other accommodation” could be retained. Funds cannot be moved from any of the first three categories into any other. Of course, there are never surpluses, and without donated time and money, the board could not operate on a break-even basis at all. It should be noted that Sherwood Park Manor does not receive any other government funding; by that, I mean municipal or other funding.

1030

The government has publicly announced new funding to the long-term-care sector and significant enhancements to service. They promised that all residents would have the right to two baths a week and that there would be an increase of 2,000 jobs across the sector. In fact, no new money was received at all until October 2004, and then the amount barely covered the costs of service in place. Coming late in the year, it amounted to 0.5% of the 2004 budget. Carried into 2005, the new funding becomes 2.5% of the 2005 budget. These increases do not include “in and out” adjustments such as pay equity or case mix index adjustments.

From the time of the announcement of the new funding in October, the provincial government gave us about two weeks to sign an amending agreement saying we would use the new money to provide two baths a week instead of the one required now—an addition of 107 resident baths a week when our staffing and service are severely compromised already. There were other requirements as well, such as registered nurses around the clock, but we already provide this. The Ontario Long Term Care Association staff was required to promise, on our behalf, the creation of 2,000 new jobs across the sector. Certainly, the new bathing standard would require the addition of two full-time-equivalents in a home the size of ours. However, the new funds will not support any new staff. If our staff do not provide the baths, we

will receive citations of unmet standards posted on a public Web site.

However, we have become increasingly concerned about the time it takes for staff to respond to call bells within the present standard required by the ministry. We are also challenged by the difficulty in getting all the residents fed while the food is fresh and hot, and quickly enough to accomplish all the toileting, bathing, treatments, medication administration, physiotherapy and leisure activities required between meals. The new demand for twice as many baths with the same number of staff will tie up the few people available to answer call bells, and there will be a sharp increase in risk.

There are also many new draft standards likely to become requirements. As an example, the new standard prohibiting medications being administered during meal-times eliminates three hours a day from medication administration time and creates another impossible demand with the staff available. The truth is that we would love to do all these things for the residents if only we had the necessary staff available.

Food and other accommodation is another issue. The funding for raw food was not increased at all in 2004 and 2005, and yet we all know how the cost of food has increased by various factors in the market. In fact, food revenues have increased by only 98 cents per resident per day since 1994. In 2004, the Sherwood Park Manor staff held fundraising events to earn \$2,000 for residents' food. In 2005, they will have to do more than that.

This is no doubt the situation for all homes. We are not unique in the ways in which we meet the dietary standards.

The argument occasionally offered by government officials is that homes can move money from the other accommodation envelope into food expense. However, we received an increase of only 1.8% in other accommodation in 2005 and much less in 2004. This is the funding category that experienced an astounding increase in utility costs in 2004. Statistics Canada reported the increase in utilities overall to be 17.7%. This year, it will cost the manor \$130,000 for heat and lighting, an increase of \$45,000 in two years.

There has been some pressure upon the government from the Ontario Long Term Care Association for further increases to nursing or program budgets, but there is no perceived hope at all for the necessary increases to the raw food and other accommodation categories.

All areas of our operations have experienced greater increases in expenses than the revenue adjustments received. The discrepancy is often startling.

Besides the increase in utilities, we have experienced the following:

—The Ontario Nurses' Association's central bargaining process has broken down and arbitration is scheduled for January. Nurses are scarce and they can demand significant increases. Those increases will far exceed 1.5% and will be retroactive to July 2004.

—The Ontario Public Service Employees Union likewise hopes for salary adjustments at the levels of other homes and hospitals. In the registered practical nurse

category, the increase to achieve parity would be just over 15%. Even last year, that union received a 2% increase.

—The pay equity revenue covered the wages but not the associated increase in benefits. The nursing homes have been forced to absorb that as well.

—The cost of petroleum-based products is expected to rise by as much as 8%. This includes frequently used items such as garbage bags, gloves and food wraps. We are planning for at least a 3% increase in all services and supplies.

In summary, as a board we have been able to maintain an excellent standard of care over the years. We have been accredited for many years with the Canadian Council on Health Services Accreditation and have recently received renewal of the three-year award. We have done so because of the huge community support that Sherwood Park Manor enjoys: donations we have received, interest from a trust and the ongoing hard work of a large number of active volunteers. However, we have a concern that because the government has mistakenly believed that the new funding is extra money rather than the usual cost-of-living increase, they will not provide the necessary cost-of-living increase next year.

The Chair: Thank you. The questioning in this round will go to the official opposition.

Mr Runciman: Thank you both for being here for the presentation. This is a very interesting and, in some respects, an alarming submission with respect to the situation you're facing. I suspect many others in the long-term-care sector have to be in a similar position. It's also another indicator with respect to how this government approaches many of its stakeholders: an effort at intimidation. I'm noting your reference here about the government giving you two weeks to sign an amending agreement to provide two baths, and the other where the association was required to promise—I'm not sure what the threat was there—or no money whatsoever would flow. I suspect that's the suggestion. In any view, this is at the very least bullying; I think it's probably much more than that.

The letter issued from the minister that you've included in your package is lauding the fact that there will be "2,000 new direct-care staff, including at least 600 new nurses." What have you been able to do with respect to meeting that dictate with respect to new staff and new nurses? Have you been in a position to consider any new hirings?

Mr Butler: No, Mr Runciman, we have not been able to. As we have pointed out, we have a struggle every year just to make do on the staff we have. We would dearly love to have extra staff just for the present standards, let alone new standards.

Mr Runciman: What's happening across your sector? Can you speak for the non-profit sector? Are these kinds of hirings occurring or not occurring right across the sector?

Mr Butler: I'm sorry; I really can't speak for the rest of the sector. I have no information, but I presume they're all in the same position we are.

Mr Runciman: In the last election, there was certainly a lot of political hay made—I guess that's one way of describing it—with respect to the two-bath requirement. In your experience with your facility, was that a realistic proposal? Do the majority of your residents require the mandatory two baths per week? Was that ever a realistic and, I suppose, desirable goal for every occupant of a long-term-care facility in the province?

Mr Butler: No, you really can't generalize. We have people who are difficult to get into the bath once a week, let alone twice, and they would really object to being disturbed and having to have this again. When we say "a bath," we don't always mean putting them right in the tub; often it's a bed bath, it's a sponge bath. So it's just the staffing available. These are old people. They need lifting. Every time they need a lift, you need two staff. So it's quite impractical to think of an extra bath without taking at least about three quarters of a man-hour.

1040

Mr Runciman: One thing I was confused about: In your submission, you talked about an increase of 1.8% in other accommodations, and then the minister is lauding the fact in his letter that he froze the accommodation costs this fiscal year. What does that mean? I'm curious as to why he would be boasting about that. Is this simply the costs that have not increased in terms of accommodation? That's a little confusing.

Mr Butler: I'm sorry. Where is that in the letter?

Mr Runciman: That's on the second page of Mr Smitherman's letter to the long-term-care—

Mr Butler: Oh, where he froze the accommodation costs. Yes, he froze the accommodation costs to us; he froze the funding to us.

Mr Runciman: So they're saying to look to that—

Mr Butler: There's nothing that tells Ontario Direct Energy that they have to freeze their rates to us.

Mr Runciman: Why would he boast about that? He's saying that's your flexibility, and then they freeze it.

In the very limited time here, what does the future hold in store for you? It sounds very bleak. What would be the real, measurable impact on your facility and on your ability to cope in the next year or two with the pressures you're facing?

Mr Butler: The worst that could happen is that we might eventually be forced out of business because we just couldn't balance the budget, but I think that would be a long way down the road. We would run deficits and we would eventually have so much debt that we wouldn't be able to support it.

In the short term, it means we will possibly get these citations which have now been set up on this new public Web site and people will get the wrong impression of our home. We run a home which has had an excellent record and fantastic press in our local newspapers and among the people of Brockville. It's a home that has been in business since 1976, and we would hate to see that reputation go down the tubes just on something where we can't provide an extra bath every week. There is still fantastic care. We have great staff. We have 100 volun-

teers. They all help with feeding and with moving people around when it comes to mealtimes. We have nine staff, and 105 people to get into the dining room. We couldn't possibly do it with just the nine staff who are on duty at that time. We have volunteers, and that's how we do it. We could not possibly manage without the volunteers.

In answer to your question, Mr Runciman, we will do our very best to manage with our existing volunteers and our existing staff and we will run the risk of being cited for not giving the baths. The second bath a week is low on our priority list compared to making sure people get their required medication, their required meals and their required activities.

The Chair: Thank you for your presentation this morning.

Mr Butler: Thank you very much for the opportunity to talk to you.

KINGSTON CHIROPRACTIC SOCIETY

The Chair: I call on the Kingston Chiropractic Society to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard, and you may begin.

Dr Peter Pain: My name is Dr Peter Pain.

Ms Deborah Babcock: I'm Debbie Babcock.

Dr Pain: I'd like to first of all say thank you to the committee for giving us the opportunity to present today. I'm a chiropractor. I have been practising in the Kingston area for over seven years. In my operation, I employ three other people besides myself. I have a current patient base of about 2,000 patients that I have provided care for in the local area. I'm also the president of the Kingston Chiropractic Society.

I'm here today basically to help you make some important decisions in the next upcoming budget. I know there are some difficult decisions facing this committee and the Minister of Finance. The province's resources definitely cannot match or meet all of the demands that are placed on this province. That's why it's really important that we make the right decisions that will help increase our cost savings to the health system, as well as increase the type of care we can provide.

In December of this past year, the government eliminated chiropractic care from OHIP, after providing it for 30 years. This difficult decision was made to help free up some funds for more critical areas, which would include cancer care, cardiac care and long-term care. The fact is, numerous studies have been done, polls have been done, and on a day-to-day basis in chiropractic practices across the province we're seeing the opposite effect. By cutting chiropractic service out of OHIP, we're going to see an increased cost to the health care system because we're going to see a resulting net increase in visitations to family physicians and emergency rooms.

There have been a number of studies and polls that have demonstrated this. First of all, a poll done in

Ontario by the Pollara group in June 2004 showed that 79% of respondents said they would increase their visits to their family doctors and to emergency rooms if chiropractic were eliminated for simple cases such as acute low-back pain.

The national health services consulting group of Deloitte, which has been used by the Ministry of Health itself, has also done a study which shows that if chiropractic were eliminated, the number of visits to family physicians would increase by 1.3% to 2.6%, and the number of visits to emergency rooms would increase by 7% to 14% per year. This would result in a cost impact on the Ministry of Health of a figure somewhere between \$12 million and \$125 million.

Third, a recent study was done in the Archives of Internal Medicine, which is a prestigious US medical journal. The study looked at the costs and the savings of chiropractic care in a managed health care setting. It looked at 700,000 patients who had chiropractic care under their managed health care compared to a million patients who did not have chiropractic care in their health care package and found that those patients who did have chiropractic care as part of their health care reduced the total cost on the health care system by 1.6%. If this was extrapolated to Ontario, with a health budget of \$31 billion, it would result in a net savings of \$500 million.

Last, the Ontario Workplace Safety and Insurance Board recently completed a one-year evaluation of their acute low-back pain program. It found that the patients who had immediate access to chiropractic were able to return to work in less than half the time of patients who were left without.

These are examples of some of the studies and polls that have been done. But on a personal level, since December—and my colleagues would attest to this as well—the fact that we had to eliminate OHIP in December has definitely resulted in some patients not being able to make it into their chiropractic office. Where are they going as a result of that? They're going to their family doctor's office or to emergency rooms. We all know that family doctors are way overworked. There is a shortage of family doctors in Kingston. Many patients don't even have a family doctor. Even to get in to see a family doctor can take weeks and weeks. To go to the emergency room for something as simple as a low-back type of injury or upper back or neck or headaches, the cost that that can put on that hospital is going to exceed the cost to go into a chiropractic office by many, many times.

As an example of this, I've brought in a patient of mine, Deborah, who has been seeing me for a couple of years for a couple of her conditions. In December, when we had to change our fees because OHIP was eliminated, she had to cut down on her chiropractic care. That has resulted in a number of things, one being that she has had to increase the types of medications she is taking, which she gets from her medical doctor. So it's directly affecting the health care system by increasing the costs through her family physician. I'm going to let Deb explain her case here.

1050

Ms Babcock: Hi. I'm Debbie Babcock. I'm a 50-year-old child care provider and I suffer from chronic pain from fibromyalgia. It was compounded by a motor vehicle accident in 1998.

The chronic pain that I have affects my sleep, which in turn doesn't allow my body to heal. A sleep study proved that. Much of my own money has been spent trying to find a solution to cope with the chronic pain, to no avail. I've tried physiotherapy, acupuncture, TENS, pain psychologists, massage therapists, support groups and chiropractic care.

Chiropractic care is what keeps me mobile and lets me live my life somewhat normally. My weekly visits to the chiropractor keep my body aligned and lessen my overall pain. Living with fibromyalgia is like having the flu every day: My body aches continuously, and I cope the best that I can.

The increase in my cost to obtain the weekly chiropractic relief has put a financial strain on my income, to the point where I am left to consider reducing the number of visits to the chiropractor, which in turn reduces the quality of my life: Less chiropractic sessions mean more pain; more pain means less sleep, more illness, my body becomes run down and I end up at my doctor's office, if I can get in.

Also, the emergency department: When I've been in severe pain, I'm never sure if it's going to be my blood pressure. So I will go to emergency or to a clinic to have it checked out because I've missed my chiropractic treatment and I'm not sure what is happening with my body. Therefore, I'm putting a strain on another part of the medical system.

Recently, a lot of anti-inflammatory drugs, as I'm sure you've all heard, have been taken from the market. People like myself, with chronic pain, depended on those to help us through our hard times. This double whammy of chiropractic cutback, as well as the medication cutback, has further reduced my quality of life.

Weekly visits to the chiropractor now cost me about \$1,600 a year, with the increase of 50% over what it cost me last year. I'm fortunate that I have an extended drug plan that covers part of this cost, but it certainly isn't going to increase 50%, and the small \$300 a year is just a drop in the bucket for what I put out.

Increased pain also causes me to lose sick days. It limits my ability to exercise, lose weight and keep my blood pressure under control, and cope with my day-to-day activities such as vacuuming and cleaning the bathrooms, and things like that are all a chore. All of these eventually place a further financial burden on the health system because I cannot receive the relief that I get from my chiropractor.

The elimination of chiropractic care from the OHIP schedule has placed a financial burden on me and thousands of other people in the province living with chronic pain. We do not need the added stress of this financial burden while trying to cope with our condition. It will cause us to become an additional financial burden on the health system sooner or later. Thank you.

The Chair: You have time remaining, about a minute.

Dr Pain: Basically, I just want to stress again that by eliminating the chiropractic cost from OHIP, you're going to see an increased cost on the health care system. It was providing \$150 per year per patient, stretched over 15 visits for the year. When you eliminate that, people are going to say, "I'm not going to see a chiropractor because I have to pay out of pocket for it. I can go see my family doctor or the emergency room because it's free, it's covered," but we all know those are completely clogged up and overburdened, and it's going to result in an increased cost to the health care system.

I think that's it.

The Chair: Thank you very much. The questioning will go to the NDP.

Mr Prue: Thank you very much. I appreciate what you said. I'm not sure whether or not it may be falling on deaf ears. I have to tell you that.

Last year, the government, in its wisdom, decided to do away with chiropractic services in spite of the information you brought forward, in spite of hundreds of thousands of names on petitions, and in spite of actual case studies and information.

Quite frankly—and honestly, I have to be blunt with you—I think the only thing that's going to change their mind is when the doctors' and emergency bills start going way up as a result. They're going to look at that and understand that this was not a good decision.

Having said that, I'm most interested in what Ms Babcock had to say in terms of how much additional money it's costing you. Just as one individual who has a health plan, it appears that your costs have gone up some 50%, or at least a portion of that 50% that your plan won't cover. Everybody's finances are different. If you can, can you explain your own personal finances and how this is making that onerous?

Ms Babcock: As you know, we all live within our budget—or over. I just had to seriously stop and look at the increased cost of chiropractic visits and decide whether I could afford it or not. My drug plan coverage is so small compared to what the costs are that I had to look at my finances—my whole statement and my whole monthly balance—and say, "Can I afford this?" It's going to be very tight for me to be able to continue, but I also had to look at it and say, "My quality of life is going to go down because of the increased pain. I'm going to be losing time at work because of it." I have a very busy job—I'm a child care provider of 30 to 45 school-age children a day—so if I'm not well, it puts a strain on that. Overall, I just have to take a look, as the year goes on or month by month, whether I have the money to pay to go to the chiropractor.

Mr Prue: Back to the doctor: In terms of chiropractic, have you had to reduce staff and can you tell us whether your patient load has gone down since December?

Dr Pain: Since December, we have seen a decrease in our patient load. I haven't had to reduce staff yet, and I hope I don't, but we have definitely seen a decrease in our patient load.

Mr Prue: The reason I ask that is we had a chiropractor—I'm not sure whether it was in Sudbury or Ottawa or Sault Ste Marie—who said that his patient load had not gone down but that people were struggling in terms of payment. But yours has gone down?

Dr Pain: Yes, it has definitely gone down. It has been six weeks since it was implemented and already we have seen a decrease.

Mr Prue: You believe that some of those people who are not attending you—I mean, it's only logical: They're going to their doctor or to the emergency room.

Dr Pain: I know for a fact that's happening. I could very easily have brought in 10 patients who have decreased their visits to the chiropractor and are instead going to their family doctor or going to emergency. I easily could have brought in many more people.

The Chair: Thank you for your presentation this morning.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 27

The Chair: I call on the Ontario Secondary School Teachers' Federation, District 27, to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of Hansard, and you may begin.

Mr Marc Moreau: Good morning. My name is Marc Moreau. I am a high school teacher who is currently the local president of the Ontario Secondary School Teachers' Federation, Limestone, District 27. We are a union representing more than 600 public high school teachers, 120 occasional teachers, 30 professional student services personnel who are social workers, clinical psychologists and speech pathologists, as well as literacy and ESL instructors. We work in schools here in Kingston and in neighbouring towns and cities such as Nananee, Sydenham and Sharbot Lake.

On behalf of my members, I wish to express our gratitude at being invited here today to outline our views as the next provincial budget is being prepared. Indeed, consultation opportunities such as these provided to citizens near and far, both individually and for groups such as ours, are fundamental to the good practice of democracy. Never is this more true than when budgets are being considered.

I am here to request that in these deliberations you consider carefully your recommendations in regard to the education sector. I urge you to ask the finance minister to fulfill his party's campaign promise to provide the financing to allow for the full implementation of the Rozanski report. You will recall that this report detailed very clearly the very damaging effects of previous cutbacks on the quality of our publicly funded education system. It was quite devastating. Our members fought vigorously to defend public education so that we'd be able to provide the highest-quality education that we feel our children and youth are owed. This remains our over-

riding objective. Now, with a new government, and with a Premier who wishes to be known as the education Premier, there is a palpable sense of renewed hope in our schools. We're asking you to continue to build on this resurgence of optimism.

1100

I would also like to acknowledge the positive strides this government has made to address the funding gaps that exist in our beloved education sector. I want you to know that our members are aware of and appreciate these efforts and are grateful for this change in climate. We ask you to continue on this path.

You can build on the renewal of optimism by recommending the restoration of proper funding for public education. The Education Watch flyer that is part of your package describes a \$1.443-billion funding gap between the recommendations of Dr Rozanski, already two years old, and current funding.

Let me point out two areas that increased funding would greatly benefit: class size reduction and teacher and support staff compensation. Locally, we've been attempting to set realistic limits for each subject in all grades to the number of students assigned to courses. The areas which teachers have asked us to especially target in recent collective bargaining rounds are the courses for our most at-risk students, often referred to as applied level students. It has been well documented that these students have been hit hardest by the change in curriculum brought on a few years ago. They're failing courses, leading to a trend of increasing dropout rates. They are failing school, and we are failing them. What does the future hold for these people? What does the future hold for a province that allows these young men and women to flounder?

An OSSTF-sponsored study called *From Applied to Applause*, a summary of which is attached to your package, confirms that one of the most effective ways in which we can serve these deserving students is to ensure that they have the right courses open to them and that the number of students in these classes remains small. We have been attempting to achieve this locally, but only with very limited success, mainly because of funding constraints. I ask you to provide us with the means to serve these vulnerable students as best we can.

The second area that I wish to address is compensation for teachers and support staff. This is an area that has been identified as lagging behind actual costs. The Education Watch report in your package estimates the shortfall for the current school year to cover the actual cost for salaries and benefits at about \$600 million. At a time when recruiting students to teachers' college is faltering and attrition rates for new teachers and support staff are high, it is incumbent upon our government to allow us to make compensation packages more competitive with private industry standards for employees with equivalent education and training. The 11-year experience and salary grid currently in place here does not compare with the three- to five-year norm in the private sector. We have to be able to address this disparity.

Consider that an essential part of a student's quality of education is the sense of community that exists in the school. This sense of community is not attained when there is a high turnover of teachers and support staff. The government must provide boards with the proper funding to allow them to negotiate a more realistic salary grid so that they may recruit and retain teachers. This problem is only compounded when you consider the pressures caused by rapidly increasing benefit costs and past below-average wage settlements. Teacher and support staff compensation packages are not keeping up. Unless you help in reversing this trend, the future prospects of our beloved profession, and consequently of the quality of public education, are bleak.

A 2004 report from Statistics Canada indicates that Ontario is the only Canadian province where per-student spending has not kept up with inflation. Do we really want to perpetuate this legacy of neglect? I hope not. I understand the financial constraints of the current government. You are faced with difficult choices and competing interests. But in your deliberations, consider not only meeting your short-term objectives, because in the long term, if you want this province to remain a global economic leader, you must ensure that our education system is also a leader—it cannot be otherwise—and this cannot be done without proper financing.

Let me finish by assuring you that here in Limestone district, you have a group of dedicated teachers and educational workers who every day are ready to give the best of themselves. They are attempting to provide their students with the best instruction and the most complete educational experience possible. However, current conditions make this difficult. You are in a position to change this. We ask that you carefully consider our request and allow us to serve our students to the best of our ability. Thank you.

The Chair: The round of questioning will go to the government.

Ms Judy Marsales (Hamilton West): Thank you very much, Marc, for your presentation. This piece that you've attached is very enlightening.

Clearly, education is a priority for the government and also a priority in the manner in which education is delivered. I see in my own community of Hamilton West where the environment around education is changing and, while funding is ever so important, I think even more important is the engaging of young people in the process and the outcome of that engagement in the process.

An area of interest and concern to me would be the arts. I'd like to know where the arts, particularly music in its many avenues of involvement, sit today and where some of the other art endeavours are with respect to your organization.

Mr Moreau: I can speak to that with regard to our local experience here. There are a number of excellent arts and music teachers in particular in our district who work hard to develop and maintain their programs. They are having a little more difficult time these days, in large

part because of the curriculum changes that have in fact eliminated the OAC year, the grade 13 year, and increased the number of compulsory courses. This has caused the art and music classes to suffer because they are not considered core courses such as English, math and science. They have found that students have fewer selections, fewer optional choices as far as courses, and therefore there's a more competitive atmosphere, I'll say, to attract students to these optional courses such as art, music and the tech woodwork classes, for example. It's not as good as it could be or as it once was, because there was more time and there were more options in the past.

Ms Marsales: Are there any new opportunities? I feel sometimes that we are continuing to go along the same path as opposed to looking at new opportunities that may present in the educational arena. I'm interested in any kind of new concept, whether it might be a new method of integrating some of these programs to engage young people. If they can be engaged in video games and computers, why can't other programs be adapted to manage that kind of new thinking?

Mr Moreau: There are innovative programs, which perhaps is what you're getting at, in this board that are directed especially toward talented students, music students, here. The name escapes me at the moment. It attempts to draw gifted students into the music stream or to develop their talents at a more rapid pace.

Mr Colle: I just have a question. As the parliamentary assistant to the Minister of Finance, I'm interested. You talked about the bleak picture here in Limestone. We have a lot of different ministries asking for money: health, environment. Mr Runciman will tell you that it's pretty hard to come up with all the money.

My understanding is that we gave the Limestone board, through Finance, an extra \$8 million in enhancements last year. That's a 4.3% increase over what you got last year. Is that correct?

1110

Mr Moreau: You might understand, if and when the board is allocated extra sums, that we are not always, as a union, privy to that information.

Mr Colle: So the secondary panel may not have got it, and it may have gone mostly to the elementary.

Mr Moreau: It may have. I know there are a few consultant positions that have been created recently that may stem from those kinds of funding initiatives. But I guess I can reiterate our point, that we're having a difficult time attaining our goals of reducing class sizes, essentially in primary.

Mr Colle: That's because, I guess, the class reduction monies go to the elementary rather than to the high school, secondary panel, right?

Mr Moreau: Certainly those are the public statements. I'm not sure; I can't speak for my elementary colleagues whether or not they've actually benefited from those announcements.

Mr Colle: So you see some growth in some of the class sizes in the secondary panel. That's what the challenge is from your perspective.

Mr Moreau: Yes, to keep those down.

Mr Colle: OK.

The Chair: Thank you for your presentation this morning.

TOWNSHIP OF FRONTENAC ISLANDS

The Chair: I call on the township of Frontenac Islands to please come forward. Good morning. You have 10 minutes for your presentation. There may be five minutes of questions following that. I would ask you to state your name for the purposes of our recording Hansard, and then you may begin.

Mr Jim Vanden Hoek: I'm Jim Vanden Hoek, the mayor of the township of Frontenac Islands. It's a pleasure to be here, Mr Chair and members of the committee. I will say at the outset that I am not coming directly to seek funding for any particular initiative this morning. So that may in fact be somewhat of a change, but I've only been here for a few minutes.

Mr Colle: You're in the wrong committee, then.

Mr Vanden Hoek: I do have a couple of policy issues that I'd like to bring forward that do have a dramatic negative impact on my municipality, but I don't think the funding implications are necessarily provincial dollars. So bear with me as I go through this.

It's important that I frame the municipality before we go any further. I probably represent the smallest municipality in Ontario. The total assessment base is only \$234 million, and that's a collection of islands in the St Lawrence River. Ninety-six per cent of my assessment is residential. By the time you discount the managed forests and the farmland, by the time you get to that revenue stream, 96% of that comes from my residential property owner.

The two issues I would like to zero in on are special tax classes and volunteerism.

We happen to be one of the communities that has attracted the attention of the wind power, alternative energy, sector in Ontario here in the last number of months. It has certainly been in the media. We have worked very aggressively with a number of developers for three to four years to create the kind of climate in my municipality that would allow these developers to go forward. Clearly, we did that on the basis of the fact that there would be commercial or industrial assessment coming from that development that the government announced as a result of a panel, I believe, that worked on behalf of the province.

There was an announcement from the provincial government back in August that indicated they were going to cap the assessment quantity at \$40,000 per turbine. Each turbine is worth between \$2 million and \$3 million. So you can appreciate that, from my municipality's perspective, when 96% of our revenue stream is residential, and with the province coming in with a policy that would cap the capital component of that assessment at something around 10% of the actual cost, to say we were disappointed is an understatement.

If you were to approve all of my development proposals at the developers'—I'll call it their wish list, and we all know how these things play out. If you were to approve all of these proposals, you would put my municipality full of wind turbines, and that's not to say that we haven't been receptive to that in the past, but the revenue stream on a \$300-million to \$400-million capital project coming into my municipality is something like \$30,000 to \$40,000 annually. That policy is going to have a significant negative effect in my community. It already has in terms of our willingness to receive that type of development. As you have to appreciate, if you were to go into an urban centre with a \$300-million or \$400-million program, I don't think that urban centre would be terribly receptive if in fact the revenue stream coming in would be that minimal.

I have a specific recommendation or request—I'm not sure how these panels work. We definitely want that particular policy revisited. We communicated with the province, we communicated with the Minister of Finance, Minister Sorbara, in advance of the policy announcement. I've been in politics for quite a number of years, and you can see these trains coming before they actually hit the station. As a host community, we had wanted to talk to him about the tax revenue because we knew there was going to be some kind of compromise or agreement struck, and that never did happen, so we're disappointed in that regard.

I don't think this is necessarily a provincial funding issue other than that the Ministry of Finance is going to have to subsidize alternative energy for a period of time until it gets legs underneath it. In that regard it does have an implication to the ministry, but as it stands right now, the real host communities, which have no commercial or industrial tax assessment, are going to pay a disproportionate share of the alternative energy development programs across Ontario. In other words, my constituents, by means of reduced tax revenue coming into the municipality, are going to carry a disproportionate share of the cost of the development of that energy compared to, let's say, a non-host community; I'll pick the city of Toronto just because it's convenient.

I'd like to move on. There is a second issue which is somewhat similar to that. If could go back for just a moment to special tax classes, we have a whole range of them in these rural municipalities, whether it's agricultural land, managed forests, those types of things. There has been no CRF reconciliation for five or six years on that. It's fine for residents in Ontario to aspire to preserve and to enhance and to do all these things with regard to the rural community and the environment, but we feel very strongly, as with alternative energy, that those costs must be borne equally by all the residents in the province. As it stands right now, the rural municipalities are at a disadvantage in carrying this, because the tax policies are legislated. In other words, farms and forests are 0.25% of the residential rate. That drives the revenue stream down into the municipalities. It's a real problem for us.

I have to acknowledge right up front that my municipality is a ward of the province. Anybody who has been involved in government for a long time knows that these ferries are extremely expensive, and I certainly don't shrink or hide from that. We've worked very aggressively to try to change some of that and to improve our financial status, but that's an issue.

I want to talk about volunteerism for a moment, if I could. It's somewhat in the same category; it's a policy issue.

We have a volunteer land ambulance system on one of the islands that's extremely successful. It's well received. With volunteers—and I'll exaggerate just a little bit—we thank them with a roast beef dinner and some kind of merit award at the end of the year. But certainly the volunteer effort is an extremely important component of remote rural living. We'd be in deep, deep trouble financially without them. I can tell you that the Ministry of Health would be in deep trouble without them, financially.

I don't know how familiar you are with LSR agreements, the local service realignment agreements that exist between neighbouring municipalities. The LSR agreements are not structured to recognize volunteer contributions when one municipality volunteers into the service, and there is no recognition of that effort in the LSR agreement. I think there needs to be an adjustment when the province—I understand there's a review of the CRF formula. It may disappear, and there are reconciliation problems and all of this going on, but I think there has to be a way of recognizing the volunteers' host community.

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What happens right now, and I'll give you a very specific example: The Islands are tied into Frontenac county, which is tied into the city of Kingston through a complex LSR agreement. It brings to the table all kinds of issues that you can certainly appreciate if you've been engaged in these in the past. In effect, what happens is that my volunteers—the comparable cost, if this were to be staffed by the Ministry of Health, would be somewhere in the neighbourhood of \$750,000 a year. My volunteers run that. They run it for, I think, \$3 an hour, standby; it's a minimal amount of money. But the benefit from that, and it's as a result of amalgamation, goes into the CSM, or the central service provider; there is no benefit that stays with the host community. There's a policy problem here that you really need to get at. There has to be some kind of recognition, whether it's through the CRF program or through some new chunk of that, however you roll it out; there needs to be something to recognize and promote volunteerism. I don't think that as a society we can ramp up fully paid services in all these rural communities.

I may have gone past my 10 minutes, which is normal for a politician. I thank you.

The Chair: No, you're actually exactly on time.

Mr Vanden Hoek: I talked for 10 minutes, then.

The Chair: The questioning would now go to the official opposition.

Mr Runciman: Thank you, Mr Mayor, for being here today. It is refreshing to see someone not here asking to open the doors to the vault.

I'm intrigued, and it's regrettable that Mr O'Toole isn't here, because he's our party's critic for the energy portfolio. I wasn't aware of the cap on assessments that is, I gather, being imposed. I'm kind of curious about that. What's your view with respect to, if you went ahead with this wind farm, the impact on other property values in your municipality? What would the ripple effect be? How willing would investors likely be to look at your municipality as a result of the establishment of this \$300-million to \$400-million capital investment wind farm?

Mr Vanden Hoek: There are actually two answers to that, as you can expect. I think that if you're looking at a situation where one property owner goes ahead with the wind power development and there's a case where there is no infilling between adjoining property owners, you could create a situation where you would drive the assessment up on the property that's not infilled, if I could place it that way. There's the other view that the wind towers will in fact detract from your tax base because there's a perception by some in the community that they lower values.

I think it's a complex issue. There's not a straight answer to it. I can tell you that, being starved for commercial tax revenue, the municipality put a tremendous effort into making sure the community was on board. As a politician in a small municipality, you can appreciate that you do have an obligation, I think, to bring those things forward.

This particular policy, I'd say, compromises in a very significant way the township's ability to keep the balance of the residents on board in this kind of development. Our residents were supportive just from the standpoint that they realized we were being challenged to pay for the services that we have to provide. They were prepared to accept wind farms as compensation for what we had anticipated would probably be \$200,000 or \$300,000 annually worth of revenue. We're going down into 7% or 8% of that.

Mr Runciman: I'm assuming you've contacted the Ministry of Finance, or your municipality has, with respect to this issue. I'm kind of curious. It would seem some of the contracts that have been awarded, from my perspective, look pretty rich to the people who are developing these wind farms in terms of the payback per kilowatt hour provided to the grid. I'm just wondering what their rationale is, other than, I gather, to further encourage the development. It seems to me that is unnecessary, given the levels of these contracts in terms of what I would describe as the richness of some of these contracts over extended periods of time.

Mr Vanden Hoek: In terms of the value of the contracts, I can only relay to you what I've read in terms of return on investment. They're looking for 25% to 30% return on investment to the developer, but that's anecdotal in terms of what I've seen from the press.

We do have two active developers in our community. They were not successful in the first round. I can tell you

they've got OPA challenges or OPA issues to deal with, and they've also got environmental assessment issues to deal with. I think that those become much more contentious for them, given the fact that there's little benefit to the municipality as we go forward. So I think the policy is really problematic for us.

Mr Runciman: I assure you that we'll follow up on it for you from an opposition perspective. My one other issue, which doesn't deal directly with what you raised here, but you talked about volunteers—it's been raised on a number of occasions over the past few years—is volunteer firefighters. I'm assuming you have a volunteer department. What impact, if any, are you seeing with respect to the two-hatter policy, where you may have people working in the Kingston fire department who are professional firefighters and are now being required to leave volunteer service in their community? Has that impacted on you in any way, shape or form?

Mr Vanden Hoek: It's an issue for us. What happens is that we actually have, in all honesty, a couple of individuals who act as training individuals who have come forward into our municipality. I think we're getting through it, but certainly it's been an issue in the municipality.

Mr Runciman: Is it posing any public safety issues for you at the moment?

Mr Vanden Hoek: Not at this moment. We're getting through it.

The Chair: Thank you for your presentation this morning.

Mr Colle: Mr Chair and members of the committee, there's a person in the audience here from the Ontario Trails Council who would like to give a presentation. We have a spot that's open. I'd like to move unanimous consent to have him present in that spot.

The Chair: Do we have unanimous consent? Agreed.

ONTARIO TRAILS COUNCIL

The Chair: Good morning.

Mr Patrick Connor: Good morning, committee. Thank you very much, Mr Chair, for indulging.

The Chair: I've noted that you were sitting in the audience, but I feel compelled to remind you that you have 10 minutes for your presentation, and there could be five minutes of questioning. I would ask you to state your name for the purposes of Hansard. In that you represent a group or organization, just state that as well.

Mr Connor: My name is Patrick Connor. I'm executive director of a charitable organization called the Ontario Trails Council. Thank you very much again.

The reason I'm here today is that my organization represents over 170 individuals and other umbrella organizations that operate trails or trail systems throughout Ontario. Earlier today you heard from one of our strong local supporters, the Cataraqui Region Conservation Authority. Our membership is made up of many health units, municipal park and recreation departments, a wide variety of non-governmental organizations such as

the Ontario Federation of Snowmobile Clubs, a variety of sport user groups, like Hike Ontario, and a number of publicly supported planning departments and greenbelt areas, including trails and provincial parks. I just provide that as a background because our organization is very diverse, and in terms of an actual club structure, we represent the interests of some 500,000 club members who participate in trail-related activity.

We are here as a follow-up to earlier pre-budget consultations in 2003 and 2004. I'd have to say that we believe, as a result of participating in this process, that we have been listened to. We feel that the trails strategy process that we're currently engaging in through the Ministry of Tourism and Recreation represents successive listening by a number of governments, although it's a process that has been a long time in coming—some 20 years. We're made up of a variety of professionals and volunteers as well.

Now that we are fully engaged in this strategic planning process for trails, we do want to drive home the point, if you'll indulge me, that there are still some issues facing our industry and our sector in the sense that while we applaud the focus on health and active living, the Active 2010 strategy unveiled by the government, which we're fully supportive of, is going to place certain infrastructure pressures on our sector. We're interested in finding out how these capital infrastructure issues are going to be resolved.

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As the group representing budget considerations, we would certainly ask that the members of all parties be mindful of their local constituents, their local trail users, the significant public population who are out deriving significant health benefits through trail activity, which of course we equate with a savings on the health side.

We're really asking for some mindful support that additional activity is going to lead to additional pressure on existing infrastructures, of which there is a certain degradation, and that will have to be managed either at the municipal level or through parks and rec or NGOs, so we continue to provide a safe and responsible trails experience.

We're also facing some rather unique insurance cost pressures, especially on the non-governmental organizations side, where organizations may manage entire trail systems. The pressure from the private insurance industry in terms of escalating costs is a really intolerable burden for many of our organizations that, I'm sure you can understand, raise the funds in support of their sport or recreational activity through a variety of bake sales or other community-based initiatives. Unfortunately, the escalation in insurance costs is really getting quite out of hand and, as a result, puts this whole trails infrastructure at risk.

If we're promoting active living and a healthy lifestyle, we do have to be mindful that, as some other people have mentioned, we ask for policy and regulation considerations through the strategies so that perhaps some accommodating considerations can be made, such

as in other jurisdictions like New Hampshire and many American jurisdictions and other places in Canada that have a trails act or have actually removed the contingency of third-party liability. Certainly in New Zealand and other places this has been done, and in response to that, you end up with a healthier community, because more people feel comfortable engaging in trail development and trail management.

That really wraps up my comments.

The Chair: Thank you very much. This round of questioning will go to the NDP.

Mr Prue: Just a couple of questions on two related areas. The first one is the infrastructure pressures. I'm trying hard to figure out what those infrastructure pressures would be if you had, say, a 10% increase in the number of people using the trails.

Mr Connor: Wear and tear would be one example.

Mr Prue: Wear and tear on what?

Mr Connor: On the actual trail bed itself and off-trail activity. There's also environmental degradation. For example, just today we were talking about a washout situation: bridges, other infrastructures, soil erosion, general environmental degradation. Those costs aren't recovered. And there is a proportionality: Increased use leads to increased degradation.

Mr Prue: Are not the majority of degradations—erosions, the things you talk about—caused not by people walking on them but just by nature itself?

Mr Connor: Many trail-related and emerging trail-related activities are actually caused by the user and the user groups as well, and many of the environmental spaces that have been set aside for use aren't compensated adequately enough. The places that people go to play—in the example we heard from the Cataragui Region Conservation Authority today, there are boat launches, trail access points and signage so there's a safe experience. All these things are out in the natural environment, and there is a constant erosion factor that isn't satisfactorily recovered right now in existing funding models.

Mr Prue: You talked too about insurance costs, and I think you make a very valid point in terms of third-party liability. But do you have insurance costs for other things: the washout of a bridge or that kind of stuff?

Mr Connor: It depends on the particular management structure. Some of these can be offset at the municipal level. Some of our coping strategies are that trails are designated as linear park systems and therefore can fall under municipal park and recreation indemnities. However, there's a whole subcontracting process that happens in wide areas of rural Ontario, where trail management organizations are subcontracted to take full responsibility for the condition of the trail and its maintenance. Those organizations, while they're contracted by government and municipalities, bear the burden of the insurance and the related risks from use, and they are the people specifically who cannot afford—we can't even afford the cost of the litigation. It's not that we'd lose many lawsuits at all. We need some tort reform, because we cannot afford even singularly the cost of litigation.

Mr Prue: Those would be my questions.

The Chair: Thank you for your presentation.

Mr Connor: Thank you very much for indulging me. I appreciate it.

The Chair: For the committee, it's my understanding that the 11:45 group is in the building but has not come into the room yet. They were advised that they should be here. So we will recess until they arrive or until 12 o'clock noon, whichever comes first.

The committee recessed from 1136 to 1145.

ASSOCIATION OF DESIGNATED ASSESSMENT CENTRES

The Chair: The standing committee on finance and economic affairs will come to order once again. I call forward the Association of Designated Assessment Centres.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Ms Susan Filuk: My name is Susan Filuk. I'm president of the Association of Designated Assessment Centres, or ADAC, and with me is Dr Rocco Guerriero, who is the secretary-treasurer of ADAC and our representative on the Minister of Finance's DAC committee.

Thank you very much for allowing us the opportunity to present before the standing committee today. Our organization represents the 103 designated assessment centres, or DACs, located across the province. We will be speaking in greater detail about them in a few moments, but we wanted first to say that ADAC welcomes this opportunity to provide the members of the committee and ultimately the Minister of Finance with our input on Ontario's economic policy direction, particularly in the area of consumer spending on auto insurance for Ontarians.

We are extremely concerned that the government's proposed policy direction on the elimination of neutral assessments will have a negative impact on the provincial treasury, put pressure on Ontario's already strained legal system and will force more reliance on other public sectors: OHIP-funded hospital-based therapy, if you can get it, social assistance, disability support programs and employment insurance. The proposed regulatory changes will directly impact the pocketbooks of Ontario consumers.

We feel that this issue is critical to the committee's deliberations because if the government proceeds with the draft regulations and the elimination of neutral assessment, cost savings will not be realized and health care costs for all Ontarians can be expected to rise. We are pleased to see that Mr Colle is part of the committee, as he has responsibility for consulting on the government's proposed auto insurance changes.

In 1994, the provincial government created multi-disciplinary designated assessment centres across Ontario as part of its reforms to the auto insurance system to

facilitate access to benefits for auto accident victims without the need for legal representation and involvement in the adversarial process of mediation, arbitration and litigation. The DAC system was established for insurance companies and claimants to use when they needed a neutral, third-party opinion about a claimant's injuries and the accident benefits that were reasonable and necessary for those injuries. DAC assessments are designed to balance the interests of both insurance companies and claimants, and their final reports are binding. The 103 DACs are designated and regulated by the Ministry of Finance through the Financial Services Commission of Ontario, following a rigorous application process. There is a mixture of private and public ownership, with 40% of DACs operated by and located in Ontario hospitals.

Like a referee in a hockey game, DACs have no vested interests in the outcome. DACs operate within a highly regulated system under written guidelines which mandate transparency, full disclosure by all parties, and neutrality. They are accountable to FSCO and the public through a formal complaint process and to the government through the Minister of Finance's DAC committee.

DAC opinions are binding on the parties involved in the dispute over benefits. This is important because less than 4% of DAC decisions potentially go on to further arbitration or litigation. In addition, they help to level the playing field as insurers are often represented by experienced and specialized legal teams, while consumers do not have the same level of understanding or familiarity with the system.

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DACs work collaboratively with all stakeholders to ensure that the system works smoothly, in a transparent and fair manner. Opinions are consensus-driven and multidisciplinary-based, which reinforces their neutrality, credibility and acceptance. In addition, DACs allow health care professionals, not arbitrators, to provide opinions based on their medical expertise and experience. This better serves the interests of the patient or the accident victim and the industry.

This past December, the government of Ontario, through the Ministry of Finance, released draft regulations which proposed eliminating the role of designated assessment centres as providers of neutral, third-party health assessments. The government appears to be basing their draft regulations on the policies proposed in the flawed 2003 white paper on auto insurance that the Liberal Party prepared while in opposition.

We have pointed out to the government many times that their document contains a number of significant inaccuracies regarding system costs and effectiveness. As an example, the cost and length of DAC assessments are compared to Workplace Safety and Insurance Board assessments. DAC assessments are much more complex than WSIB assessments and deal with dispute resolution, which WSIB evaluations do not, so it is not an appropriate comparison.

A more appropriate comparator would be to the Workplace Safety and Insurance Appeals Tribunal. In 2003, DACs handled 21,000 referrals at a cost of \$45 million, or \$2,151 per case. Compare this to the WSIAT, which in 2002 handled only 4,173 cases at a cost of \$19.2 million, or \$4,601 per case. This is double the cost of the DAC assessment. In addition, there is currently a two-year average waiting time for appeals to the WSIAT to be adjudicated, whereas DACs are mandated to produce a binding report within either a five-day or a 14-day time frame from the final date of assessment.

In our view, it is disastrous for the government to abandon the DAC system, which is not only the most timely and cost-effective option but one which ensures neutrality, fairness and a level playing field for both the insurance industry and consumers. Unfortunately, DAC critics will argue that the system is costly, time-consuming and redundant in an effort to skew the assessment process to their own advantage.

However, what is most disturbing about the government's proposed system is that instead of having a disputed health claim decided by a neutral, third-party health professional, it will be done by a health professional chosen by the insurance company—hardly a neutral process that ensures protection for accident victims.

I want to take a minute to stress this point and make sure that committee members here today really understand what this means. Under the government's suggested model, it would be insurance companies that would choose the assessor to resolve disputes over your coverage if you are in an automobile accident, not a neutral health professional, which is the current model—an assessor chosen by your insurance company. And if you don't agree, your option is to go through mediation, arbitration or the court system.

We are surprised that the government would propose a system that would so blatantly favour one side over the other, and have seen no evidence that this proposed model will be more efficient, more timely or less expensive than the current system. In fact, with greater reliance on mediation, arbitration and the courts through this model, dispute resolution will likely be far more expensive and take longer. Access to benefits will be delayed, and by the time treatment is approved, it will be ineffective or victims will abandon their efforts to get treatment, resulting in more complex and debilitating conditions.

DAC assessment turnaround times are in sharp contrast to 665 days for a mediation decision from the date an application is received and 692 days for an arbitration decision from the date an application is received. That's the dispute resolution process proposed in the changes to the regs.

It is also likely that this protracted process for dispute resolution will force many legitimate accident victims to simply abandon their claims because they do not have the time or resources available to insurance companies to fight for their claim through the court system. In fact, the

primary groups that appear to be supporting this change are the Insurance Bureau of Canada, the Ontario Trial Lawyers Association and the Association of Independent Assessment Centres.

The new regulations brought forward by the government do not recognize the numerous initiatives that have taken place over the past 18 months that have served to improve the neutral assessment process for all parties, including introducing fast-track DAC protocols for review of assessment proposals; performing a substantive internal review of DACs' procedures and policies within a highly regulated system; introducing a medical and rehabilitation DAC manual which standardizes assessment processes and includes the use of a stage-focused approach to assessments; and emphasizing a single assessor system with paper review methodology and telephone consultation with the proposing clinician where this is appropriate. These improvements have made the system faster and more cost-effective for all parties.

There has been a lot of misinformation put out by those whose self-interest would see the elimination of a neutral assessment process. Some organizations have even gone as far as suggesting that DACs are not neutral. Yet the choice of DAC must be mutually agreed to by the claimant and the insurer or decided by FSCO. Neither party can determine the type of health professional or who within that profession will conduct the DAC assessment. The very existence of DACs ensures that the playing field for resolving benefits disputes between accident victims and insurance companies is level.

Last year, according to the government's own statistics, DACs recommended that some form of benefit be provided to 61% of accident victims who would not have received those benefits, as their original claim had been denied by their auto insurer. In some cases—

Interjection.

The Chair: We'll just pause for a moment.

Ms Filuk: Shall I continue?

The Chair: When we resume, you'll have about a minute and 15 seconds left.

Interjection.

The Chair: All right, we'll resume. You have about a minute and 15 seconds.

Ms Filuk: In some cases, DACs rule in favour of accident victims; in other cases, DACs support the position of an insurance company. In all cases, DAC decisions are based on the professional opinions provided by neutral assessors—those not retained by the accident victim or the insurance industry.

In addition, recent statistics from the Financial Services Commission of Ontario show that the average cost of DAC assessments as of November 1, 2004, is \$1,900. A full 25% of all DAC assessments representing the simpler disputes are handled at a cost of less than \$450.

We have also heard it suggested in media interviews by government spokespeople that Ontario is the only jurisdiction that still has neutral assessments—again,

untrue. There are a number of both Canadian and American jurisdictions that have neutral assessments as part of their auto insurance system, including Saskatchewan and Manitoba, and Alberta has moved to neutral assessment as part of their recent reforms to auto insurance.

In conclusion, there are no valid arguments for moving away from the auto insurance benefit dispute resolution system as it currently exists. Insurance companies have been posting record profits, which means there should be no impediment to their further reducing auto insurance rates for consumers within the current system. We have shown that the government's proposal will take longer, be more expensive, tie up our legal system unnecessarily and favour the insurance industry at the expense of Ontario's accident victims. Groups such as the Ontario Brain Injury Association have real concerns that the government's proposal will result in greater delays in treatment for injury survivors. It just does not make any sense to implement these regulations as they're currently drafted.

ADAC continues to be willing to work with the government and other partners in the system to further reduce costs and ensure protection for both accident victims and the industry. We have offered a number of solutions and recommended that the government convene a multi-stakeholder meeting to arrive at a consensus decision. This has been done successfully in the past.

It is unfortunate that while the McGuinty government criticized the previous government for lack of consultation, it has chosen not to hold public hearings on these regulations which will fundamentally change the way accident victims are able to—or in this case not able to—access their benefits.

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The government's five-week consultation on this issue over the Christmas holidays—submissions were due in last Friday—did not allow groups and associations time to get their membership together to discuss this matter or to have a legal analysis done of the dozens of pages of draft regulations. If the government truly wants to receive informed feedback on this issue, there should be no problem extending the length of the consultation to the end of the month.

There is a real need to ensure that neutral assessments are maintained as an important step in the auto insurance dispute resolution system, and there is a real need to ensure that there is adequate, detailed consultation and an analysis of the human and financial costs of such a shift in policy prior to implementing changes that appear to be based on an unsubstantiated, pre-determined outcome.

Thank you for your attention this morning, and we'll take any questions now.

The Chair: Thank you for your presentation, and this round of questioning will go to the government.

Mr Colle: Thank you for your presentation. It's not the first time I've heard it. I know you've had a number of press conferences, press releases and e-mails. So you certainly have given us a lot of information over the last 14 months. So I appreciate that.

I guess the one point I have is that I'm sort of wondering why you say there's been no consultation, when, since last November, I have met, the minister has met, our fiscal official—that's the regulator—has met with you and your representatives. You put forth a consultant's report. Our officials at the Financial Services Commission of Ontario went over the consultant's report.

Again, this has gone on for 14 months, and you knew from our position in opposition that we said we were going to phase out the DAC system. We restated it, once being elected, that the DACs were to be eliminated. That was unequivocally clear, but we still proceeded to methodically go over the system for replacement. In fact, the Financial Services Commission of Ontario even brought in an outside expert who was the chair of your committee to conduct hearings on replacing the DAC system.

That proposal that was put on the table also included input on what you would replace it with—that was under Philippa Samworth, who's the former chair of the ADAC committee. Essentially, you rejected that proposal, and that was part of the 14 months of consultation.

We are at the stage now where the Financial Services Commission has gotten input over the last 14 months. The ministry has gotten input. There has been much discussion and debate. We've had ongoing—again, through this whole process—continued information, and the final decision on the actual regulations will be made by the Financial Services Commission.

Ms Filuk: I'd like to respond to that 14-month—

Mr Colle: No; you've had your 10 minutes. Just one second.

Ultimately, the point is that this is the only jurisdiction in North America that has such a complex, convoluted system of the so-called designated assessment centres, which are, no doubt, for the most part, run under a private health care system for profit.

Ms Filuk: And what is the question?

Mr Colle: And we feel, as a government, that they are too complicated. They don't serve the consumer, and we want a simpler, more direct system that puts the interests of the consumer first and does not promote complexity and an adversarial and unaccountable system. We think we want a better, more direct system that takes into account the needs of the accident victim and the people who are paying premiums in the province of Ontario. So that's where we're at.

Ms Filuk: What is the question?

Mr Colle: Well, the question is, how can you say there was no consultation, when for 14 months we've been talking to you?

Ms Filuk: We met with you twice: November and December. Then we had an opportunity to submit to the expert assessor network model, which was an alternate model that was rejected by 122 submissions.

The consultant's report is not consistent with the regulations that have been drafted. We have repeatedly given the government facts provided by your own department that say that the facts on which the decision to eliminate the DAC system was made are inaccurate.

The insurance industry is already on record as saying they have achieved their 12% reduction in auto insurance premiums without the elimination of the DAC system because of the changes that have already occurred in the system. The regulations as they are proposed, without changes to them, mean that an injured person will not have access to their own assessment because it will require prior approval of an adjuster, who can deny it. So this would be a more adversarial system.

We're going back to pre-1994, when all of the decisions were dealt with through arbitration and the court system. That is why we feel that neutral assessment must be maintained, and the decision to do that must be based on accurate information.

We have not seen a risk analysis from the government. We have not seen an impact analysis. We have not seen a cost analysis. Again, these regulations do not reflect the report that came from Philippa Samworth on the expert assessor network.

The Chair: Thank you. The time for questions is over. We appreciate your presentation. Thank you.

The committee is recessed until 1 o'clock.

The committee recessed from 1205 to 1302.

SISTERS OF PROVIDENCE OF ST VINCENT DE PAUL, JUSTICE AND PEACE OFFICE

The Chair: The standing committee on finance and economic affairs will please come to order. I would ask our afternoon's first presentation, the sisters of the Justice and Peace Office of the Sisters of Providence of St Vincent de Paul, to please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to state your names for the purposes of our recording Hansard. You may begin.

Mr Jamie Swift: My name is Jamie Swift. I'm co-director of the Justice and Peace Office of the Sisters of Providence. Thanks very much for giving us the opportunity to contribute to Ontario's pre-budget hearings. I'm speaking on behalf of the Justice and Peace Office of the Sisters of Providence.

The sisters were founded here 140 years ago to meet the needs of the sick and the poor in Kingston. Father Lloyd Cummings is with me, representing the Justice and Peace Commission of the Roman Catholic Archdiocese of Kingston.

I'd like to introduce you first to some other people who have accompanied me and Father Lloyd here. Starting back here, Sister Pauline Lally, the assistant general superior of the Sisters of Providence; Sister Barbara Thiffault, the general secretary of the Sisters of Providence; Gloria and Michael Stephenson; Joan Sherwood; Bert Horwood; Jean Gower; and Ian Stutt.

The signs they're holding up—this is not a public demonstration or anything; it's part of our presentation. These people are among the vigil-keepers, and you have mugs in front of you that are somewhat instructive with

respect to our vigil. You can take them home or sell them to your constituents—whatever.

Mr Colle: No, we can't.

Mr Swift: You can't do that; that's not allowed.

We've been standing outside Kingston city hall every Friday for nearly 10 years now. We started this silent vigil to protest the attack on the poor that started in 1995 in this province. I'm sure all of you will know that that was an important date in the province's recent political history. That was when the previous government launched its punitive social assistance policies. They reduced social assistance payments to our poorest and most vulnerable neighbours by over 21%.

Over the course of the many years that we have been standing down on Ontario Street, poverty has worsened in Kingston. Because this is the standing committee on finance and economic affairs, it's important to know that these have been generally good times, years of economic growth, the top of the business cycle. If things got worse in good times, what will happen to our most vulnerable neighbours when the next recession hits, as surely it will?

During those years Ontario's fiscal capacity was deliberately reduced by the previous government. That is the reason for the present government's deficit. It's also the reason that the otherwise comprehensive report on social assistance policy released last month by your colleague Deb Matthews, the parliamentary assistant to the Minister of Community and Social Services, made the dubious claim that the government cannot increase social assistance rates because it lacks the financial resources to do so.

If the current government fails to address this diminished fiscal capacity, the one that it inherited from the previous government, that signals an implicit endorsement of that government's budgetary strategy. If the current government fails to raise social assistance rates more than the 3% it has already granted, that signals an implicit endorsement of the social policies of the previous government.

We hope the current government can do much, much better, and I give you three reasons why, culled from our local experience. Because an ever-increasing number of people in Kingston cannot afford a healthy diet, researchers describe them as suffering from food insecurity. Our neighbours who are food-insecure are more likely to suffer from obesity and diabetes. This means higher costs to the health care system because food security is perhaps the most important determinant of health there is.

Ontario's local health units have for eight years now been mandated by the health ministry to assess the local cost of a nutritious food basket. The latest report by the Kingston, Frontenac, Lennox and Addington Health Unit crunched the numbers, and you'll find a copy in the documentation we gave you in that purple folder. It's called, *Can These People Afford to Eat Well?*

The dietitians looked at the living situations of both individuals and families in Kingston—people working full-time earning minimum wages, depending on Ontario

Works, ODSP and a combination of old age security and the GIS. The health unit found that people living on minimum wage and social assistance live in a community that is not food-secure. And remember, this is a community in one of the richest provinces in one of the richest countries in the world, during a period of sustained economic growth. People are hungry.

This past fall, high demand from people forced the local food bank, the Partners in Mission Food Bank, to launch its first-ever Thanksgiving food drive. Hunger has turned into a chronic problem in our community.

Let's turn to housing. Adequate shelter is another crucial determinant of health. The present government has promised to build 20,000 units of affordable housing, but we've seen nothing of that yet. Kingston's United Way recently published an updated report card on homelessness in Kingston that you'll also find in that package. It has the documentation.

The report shows that the number of homeless people in Kingston is rising. What's more, the population at risk of homelessness is also going up. These are people living paycheque to paycheque, people employed full-time or part-time. Their rent increases outpace their incomes in a market with one of the lowest vacancy rates in Canada. This is a community with a disproportionately large number of vulnerable citizens, with eight federal prisons, with a large regional mental health facility and with a split-level service economy. The mentally ill and those struggling with substance abuse must compete with thousands of Queen's students for a small number of rental units.

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Emergency shelter use in Kingston has gone up 440% since 1998. In 2003, the waiting list for affordable housing increased by 119 approved applicants per month; 84% of the families on that list spend over half their income on rent. The local gap between high and low incomes has widened. The Ontario Rental Housing Tribunal reports 695 applications for eviction orders in Kingston over the most recent fiscal year.

I'll stop there. I could go on at length about the savage inequalities that continue to plague our community. I'll now turn to Father Lloyd Cummings, who lives northeast of here in Westport. You can find results of his recent research into the extent of poverty in the archdiocese of Kingston in the documentation we've provided.

Rev Lloyd Cummings: I am Father Lloyd Cummings, a priest of the archdiocese of Kingston. I represent our Justice and Peace commission of the diocese, which also includes membership of the Anglican Diocese of Ontario. So we join in this brief with Jamie Swift now and completely endorse the presentation that he's just made.

This is not the first time our commission has addressed this committee. Our presentations go back as far as 1991, when the Ontario budget deficit was \$9.7 billion.

I'd like to begin with some observations on the role of government. As we would agree, the purpose of gov-

ernment is the common good of all its citizens; that is, to establish social conditions that enable all its citizens to have a decent standard of living, especially the poor and the vulnerable. The first duty of government is to help those citizens who are suffering the most: the poor, the needy, the sick and the handicapped. Deb Matthews says, "I think our government should be judged on how well we help our most vulnerable citizens." I would add that we must regard the poor not as some extraneous group in our society, but as brothers and sisters of the human family who are suffering. Just as we would help a brother or sister in our own immediate family, so we must help them.

I go on now to speak about financing increased payments to the poor.

First, the immediate objection to spending more money on the poor is that the government is in a deficit position and cannot do so. However, the government has been able to allot increased amounts for hospitals and education. Also, the government has been granting millions of dollars for various other projects, as we read in the newspapers. So it seems the poor are just not a priority with our governments.

Secondly, deficit financing is not necessarily a bad thing. The balanced budget has become a sacred icon, not to be touched, yet companies and individuals go into debt in order to finance their future well-being. Governments should at times retain debt or add to it in order to provide for the future well-being of their citizens.

The Chair: I remind you that you have about one minute left in your presentation.

Rev Cummings: He must have taken too much.

Mr Swift: That's why it's a good idea to go first.

Rev Cummings: Well, I think all I can do then is simply note the following items, which you'll find in the copy included in your kit.

I quote John Kenneth Galbraith in favour of deficits that are good deficits, and various ways in which to improve the fiscal capacity of the province without increasing tax rates, and how the government needs to publicize and make the people of Ontario aware of these facts, and the obligation of the government to help the poor. Finally, we have a quotation from Professor Neil Brooks about taxation and increasing corporate profits.

I conclude, then, that we can ask, what kind of country or province do we want, one where the rich get richer and the poor get poorer or one where we strive for social justice? So we look to you, our elected representatives, to work for a socially just province. You have entered into political life to give yourselves to public service, so surely the objective of social justice must be foremost with you. I thank you for your attention.

The Chair: Thank you for your presentation. This round of questioning will go to the official opposition.

Mr O'Toole: Thank you very much for your presentation. It is important to put face and word and action to what you speak of, and I respect that with the presentation here today.

It isn't easy for any government to shuffle and wrestle with its priorities, the challenges that you mentioned in health care, an aging population, vulnerable young people, the importance of education, special education. The challenges are enormous. It really comes down to perhaps how different governments approach it. Some approach it head on. I think the Rae government, which you talked of earlier, in all probably had a great deal of social consciousness or awareness, and I felt did their very best to increase those allocations, which you described as being at the end of the day a huge deficit. I suspect they ended up with the social contract and other decisions because of that. They realized that about 75% of all government expenditures are wages and benefits for the public sector. I wouldn't criticize that; I don't mean it that way. But that's the pressures they're under.

The pressures in health care are basically money. We heard in Ottawa yesterday that one of the hospitals that were forced to balance their budget will be laying off 300 health care workers. Another one yesterday said that they would be laying off 169 health care providers to balance their budget. That isn't the ideology that they were elected on. They made some 230-plus promises, and good for them, but it's treachery, because I don't feel they are dealing with it head on, straight on.

We are straightforward. I'm a practising Catholic, if that makes any difference, a parent of five children, and I understand the social justice argument. I'm making this because I believe in the ethics and principles of hard work and reward. I believe you grow a strong economy first, and then you have the difficult decision of redistributing that wealth. If you need any more proof than that, look at southeast Asia today. They have no economic fundamentals; that's the problem. They can't generate wealth; they really can't. If you listen to the news reports on it, tourism is their main industry, which is depending on someone else bringing in their wallet.

The reason I say that is, our approach to it is much more difficult in the shorter term. It's to say you have to grow the economy—

Mr Swift: Do you have a question?

Mr O'Toole: Yes. I appreciate that. I do have a question, and you can respond in your time, I suppose. I would put to you—

Interjection.

Mr O'Toole: No, I'm just trying to share—you took some time in your presentation to blame all the ills on the Progressive Conservative government. I take great—

Interjection.

Mr O'Toole: No, you did. You said it four times in your presentation. I'm not in any disagreement with you. You have the right to say whatever you want to say.

Interjection.

Mr O'Toole: It's sort of like, we need to find a way to provide the redistribution of wealth. I would ask you, where should it go? Should it go to the children with autism, or should it go to some other method of redistributing the wealth within the community that you speak for?

The Chair: We have about a minute left.

Mr Swift: OK, I've got my one minute. Father Lloyd had various policy prescriptions to offer forward that he really didn't—maybe I ran on at the mouth too long. I think it is a question of fiscal capacity. I think on the question of choice, every government is faced with difficult choices. The choice of who you tax, how much you tax and where you spend it is the most important choice any government makes.

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Mr O'Toole: Yes, those are the choices.

Mr Swift: The previous government chose to cut taxes and finance those tax cuts largely through debt. From my point of view, and I think speaking for the sisters, that was probably a wrong choice. We should be much more long-term in thinking about what I spoke of about the determinants of health. You mentioned the hospital that had to cut back and the increasing health care budgets. The press goes on about this. Health care is a major challenge, but you have to address the determinants of health, and the determinants of health are social. One of the principal determinants of health in our society and in any society is the extent or lack of social equality. People who are poor tend to be sicker and tend to use the health care system more, so if you want to approach the problem in a wise way and in a sustained way, you've got to go after the social determinants of health. You have to go after poverty, you have to go after hunger, you have to go after housing. For any government thinking about choices, if the choices are to be effective, medium- and long-term, those are the tough choices you have to make.

For any politician, thinking beyond the four years is a huge challenge. Father Lloyd referred to why politicians get into public life—

Interjection.

Mr Swift: I think that's it. You're telling me to wind up, so I wound up.

The Chair: The time has expired for your presentation. Thank you for appearing before the committee.

HUMMINGBIRD CENTRE

The Chair: I call on the Hummingbird Centre to please come forward. Good afternoon. You have 10 minutes for your presentation. There may be five minutes of questioning after your presentation. I would ask you to state your name for the purposes of our recording Hansard.

Mr Dan Brambilla: Thank you. My name is Dan Brambilla. I'm the CEO of the Hummingbird Centre in Toronto, the largest theatre in Canada. I'm here to discuss an infrastructure investment opportunity that would promote tourism, multiculturalism and education in the province, and an effort to make money for the province at the end of the day through additional tax revenues.

First, I want to tell you the motivation for the concept I'm about to discuss, because the background is important. In my travel on trade missions to Europe, Canada,

and specifically Toronto, is known in these countries' experience as an influx of cultures, as the paradigm for living in the most peaceable and socially cohesive multicultural society in the world.

As you can probably tell from my accent, I'm an American from New York, but I've been here the past 12 and a half years and I can tell you that now more than ever Canada stands in sharp and proud contrast to the United States on issues of social cohesion. In fact, I've applied for my citizenship in Canada because of that.

So what are we creating? We're creating a tribute to our various cultures aimed at tourists, certainly, but also aimed at our residents and especially at our school-children, to show how Canada's approach to living in harmony with 232 cultures is so important in today's divisive world where, in most places, two cultures can't even live together in peace.

If you want to take a look at the deck that I've prepared, I'm going to show you what we have planned here. On the left, we have the existing Hummingbird Centre; that will not be touched, so when you hear me talk today, the Hummingbird Centre stays as is with 3,200 seats. On the right hand side, you see a sample of what the new development could be. This is really more of a massing diagram than an architectural diagram. I'm going to get back to the architectural component in a moment. The bottom of this is the new program space, the new cultural space that we're going to create of 150,000 square feet, and the rest is a residential condominium.

If you would turn to page 1 of the deck, you'll see that necessity is the mother of invention. Why did we come up with this? We came up with this because the Hummingbird Centre is going to lose its two anchor tenants in May 2006, which leaves us with a potential annual loss of \$2 million, which the city would have to absorb. The city is not interested in absorbing that, so they asked me to come up with this plan—a plan—which I have constructed. Also, at the same time, I've maintained the heritage nature of the building, as designed by Peter Dickinson, one of the world's famous architects from Toronto.

On the second page of the deck, you will see that my goal here—because I come from the business world, not the not-for-profit world—was to create a self-sustaining attraction so one did not have to come back year after year and seek funding from the levels of government. I don't like doing this. This is not fun. But what we wanted to create was a tribute to the city's diverse citizenry. That's our brand. That's Canada's brand and that's Toronto's brand. We want to attract tourism and residents and we want to be able to monetize the development rights on the property. That residential tower that you see there represents \$15 million to us, and that's the city's in-kind contribution to this project.

So what are we creating? We're creating the first new tourist attraction in Toronto since the CN Tower in 1975. It's sad, but it's been 1975 since we've had a new attraction.

What is CityCentre? I have a limited amount of time, so I can't go into a lot of detail on what it is, but I'm going to give you the high level. CityCentre is a unique grouping of attractions that will be a highly entertaining journey through the history of civilization using the prism of the arts, the most non-controversial that one can use, to demonstrate that although the various cultures of the world—232 of them in Toronto—enjoy distinct differences, they also have important similarities and, more importantly, how one culture influences another culture through the history of time, because we are, ladies and gentleman, at the end of the day all connected to each other whether we like it or not or know it or not. What we're doing here is bringing forward a fun and educational way of showing to the world how our cultures each contribute to society.

There are various different components in here, which, again, if I have more time, I'll go into. But one of the things I do want to tell you is that Peter Herndorf, who's the chair of the broadcast museum foundation, wants to participate in this venture as well and be part of our build.

So basically, it's going to be a dynamic, interactive, high-tech portal where the arts, multiculturalism and education meet together to create a unique venue dedicated to promoting social cohesion. There is no other venue, not only in Toronto but in Canada, dedicated to the promotion of social cohesion.

If you look at how we actually got to this point—I'm not going to go through all of these slides here, but this has been reverse-engineered. By looking at the various priorities of the government as stated in numerous reports, we see, on page 5 of the deck, that the first of the Ontario government's priorities talk about making sure that you build something in the proper location, that it's an authentic experience—of course, multiculturalism in Canada is everything authentic—and that it's unique. I can tell you that I've travelled all over the world looking for other facilities like this to see if we have competition; there are none. This would be the first and the only facility that would be doing this.

In addition to the Ontario issues, we have the Toronto Tourism assessment study. When you look on page 6 of the deck, it goes through the various things that a new tourist attraction in the city needs: showcase Toronto's indigenous assets to differentiate us from other cities—done; build something exciting for both residents and tourists—done; emphasize culture and the performing arts—done; focus on what the priority tourism and cultural attractions should include. What should they include? A performing arts venue. We have it, the largest in the country. Toronto's showcase, that's what this will be, and an interactive showcase.

If you look at the next slide, we talk about the fact that in the official plan we need to focus on diversity of cultural expression. That's what we're doing. In the next, the city council's strategic plan, we want to promote arts, culture, entertainment and education by promoting the city's downtown. That's what we're doing, and we're

located in the downtown. Very importantly, from the plan of action to eliminate racism and discrimination, we need to combat racism. We need to enfranchise the disenfranchised of our country. We're wonderful at bringing people in but not necessarily quite as good at making them feel part of the city in which they live.

I can tell you that we've had a few concerts at the theatre, one Ukrainian, one Iranian and one Trinidadian, and the theatre was filled with people from those ethno-racial cultures. I had tears in my eyes because at the end of the concert, people came up to me and said, "Now I feel like we have been validated." They feel that they have been invited to a historic centre and that we're finally paying attention to their culture. That's what this is about. This, ladies and gentlemen, is a holistic approach to city building.

What are we talking about? The entire investment here, total billed, is \$75 million. The city has given us in-kind investment of \$15 million by the density on the property. We have found a developer that is interested and we have signed a draft term sheet that's going to be going before council in April. He is paying us \$15 million. Look at the investment here. We're looking at five tranches of \$15 million: the city investment, and we're looking for a provincial and a federal investment of the same amount; the naming rights will bring in \$15 million; we already have \$5 million in the bank, so we already have \$20 million of the entire amount, and we need to raise \$10 million privately. This is, considerably speaking, a small investment of \$3 million over a five-year period, starting from 2005 going to 2009, when we plan on opening in May 2009.

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If you turn to page 9 of the deck, there's lots of information here that's done by Tourism Toronto in connection with the economic impact of this facility. But the most important thing is the very bottom of that slide. The bottom of that slide shows that in one year alone we generate \$28.7 million in provincial taxes—\$28.7 million in one year.

So, ladies and gentlemen, I believe that this is an investment opportunity for the province to be engaged in city building in a way that is ecumenical, that deals with all constituencies in the city and, frankly, throughout Canada. This is a project, by the way, that can be started and completed quickly—as I said, in 2009—and will act as a bridge to the waterfront when that eventually gets built. We are at the centre of Front and Yonge Streets, which is the centre of town, bridging the downtown to the waterfront.

Now I'd like to tell you—although I can't tell you the name—that we have a world-class architect who just signed on to build, to design this building. I can't tell you the name because we're announcing it next week. But when you hear the name, I guarantee you will know who this person is. I would say he's probably one of the top two or three architects in the world. I can tell you, when I met with him before Christmas to talk to him about this project, these are the words he said to me: "This is the

most exciting project I have ever seen. It will transform Toronto, and it needs to be done now because of the world that we live in. We need some place that we can promote social cohesion."

We've also hired the best consultants in the world, who all, by the way, happen to be in Toronto. I won't go through the list, but it's an amazing group of consultants that build these kinds of structures, and they all believe, because of its uniqueness and the way it's been designed to operate as a real business that generates positive cash flow at very reasonable levels of attendance, that this is a self-sustaining operation. It's an initial investment of \$15 million over five years, with a return that far surpasses that.

I'll take questions. Thank you.

The Chair: Thank you very much for your presentation. In this rotation, it'll go to the NDP.

Mr Prue: Thank you very much. It's an exciting idea. This has been floated around for a number of years. The \$15 million—you've said it a couple of times, but it's \$3 million a year. Have you had any discussions, prior to today, with ministers or with the bureaucrats at Queen's Park?

Mr Brambilla: Yes, I have. But during the change of administration, of course, some of that took a backseat for a while, so now I'm getting back into it.

Mr Prue: Have you had any commitment from any of them?

Mr Brambilla: No, no commitment yet. These are the early days.

Mr Prue: All right. So you're asking us to kick-start that commitment.

Mr Brambilla: Absolutely, sir, yes.

Mr Prue: I went down to the naming rights. This causes me a little bit of a problem, because I was on the Hummingbird board when we sold the naming rights to turn it from O'Keefe into Hummingbird, and there was a lot of conflict over that. People thought that O'Keefe should retain that right because they paid a lot of money in the beginning. Now you're going to name it for somebody else. I think the \$5 million that was taken from Hummingbird—can you do this? Can you rename it again for another \$15 million?

Mr Brambilla: I'm happy to respond. First of all, we never got the full \$5 million. Mr Sorkin stopped funding. So there has been a—

Mr Prue: So then it's a void contract. OK, got it. That's fair enough. I was not aware. I've been out for three years now, and I didn't realize that he'd stopped funding it. When I saw that I thought, "Oh my God, you can't do that. You're going to be sued 15 ways." But now you're not.

Mr Brambilla: Correct.

Mr Prue: You talked about the shows that are being put on in the Iranian community and the Trinidadian community. How much of the theatre is blacked out these days? Any at all? I wouldn't imagine, because you still have the opera and the ballet there. If you don't get to do this, you would probably lose about half of the theatre

time. It would just be blacked out. There'd be nothing to fill it.

Mr Brambilla: That's a good question. Right now, we program about 80 non-opera and ballet dates throughout the year. When the opera and ballet go, of course, we'll have a lot of inventory of time. However, the theatre business is a risk business, and you can lose a lot of money very quickly, as you know, having been on the board. So we anticipate that we can raise the production level from 80 performances to about 140 relatively safely and the rest of the time would be used, hopefully, for other activities. But never can we get to a break-even situation without adding ancillary businesses. That was the point of crafting this: to create ancillary businesses that would, in the first instance, actually subsidize the loss of the theatre and then, secondly, generate sufficient cash flow to be able to contribute to future life cycle changes in the building and to set aside an endowment fund as well.

Mr Prue: There must have been a sea change since I left city hall, because I know Mayor Lastman was hoping this could become a new bus depot. He had all the interest in the arts that you can imagine.

Mr Brambilla: The quick history of that is that I joined the Hummingbird two and a half years ago, and during that time I spoke to all the councillors at city hall, including the mayor, and convinced them. Mayor Lastman voted for this and Mayor Miller is very much in favour of it. In fact, I've made two presentations and various reports I've done to council, and I've received unanimous approval from council each time. We are now going to council again in April to show them the terms of the development agreement that we've crafted and the final business report prepared by PricewaterhouseCoopers that shows that the numbers are accurate.

Mr Prue: So all you're seeking from this committee is for us to tell Mr Sorbara that \$3 million a year for five years is something that Toronto needs, that the multi-cultural community needs, that will not be wasted and that will make us into a shining beacon for tourism?

Mr Brambilla: I assure you, sir, that's correct, and I will make sure that the payback is, as Tourism Toronto said it would be, on the annual tax revenue base.

Mr Prue: I think we ought not to forget Minister Bradley as well.

Mr Brambilla: Yes.

Mr Prue: OK. Those would be my questions.

The Chair: Thank you for your presentation this afternoon.

Mr Brambilla: Thank you very much for your time.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, LIMESTONE LOCAL

The Chair: I would call on the Elementary Teachers' Federation of Ontario, Limestone, to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of ques-

tioning after that. I would ask you to identify yourselves for the purposes of Hansard.

Mr Mike Lumb: My name is Mike Lumb. I'm the president of the elementary teachers in Limestone. This is my first vice-president, Debbie Wells. We're going to share our time, so I'm going to invite Deb to go first.

Ms Deb Wells: We'd like to thank you, first of all, for the opportunity to speak to you and also to thank this government for the steps already taken to bolster our education system. Support for rural schools and smaller classes in primary grades is greatly appreciated.

We're speaking on behalf of a strong, vibrant and world-class public education system—but it's in trouble. Many schools are overcrowded, in need of repair and staffed with the absolute minimum number of adults. We have no teacher-librarians and we have no specialist teachers. That means that our students don't receive instrumental music, family studies, industrial arts, fine arts or drama. Students with learning disabilities have been falling through the cracks for years. This is where 10 years of chronic underfunding takes us. One third of teachers entering the profession leave within the first five years. They don't continue.

We want to highlight some specific recommendations for you. We're reading from this; I don't think you want either of us to not read, because once we get going, we tend to keep going.

The first issue is planning time. Elementary teachers in this board, the Limestone board, have 150 minutes of planning time each week. We contact parents, we prepare lessons, we mark student work, we organize those marks, we file, we display student work—because elementary teachers have to do bulletin boards and things—and we prepare report cards three times a year. That's just a small example of what we do. Elementary teachers are expected to do a lot of their job on their own time. We need more planning time. We actually had a fair bit more before amalgamation, and we need more.

The next issue is specialist teachers. If a teacher has some special skills—for example, in music—that teacher's class can benefit from that, but there's no program overall for all students to access. In this board, musical instruments and tools for industrial arts were sold. We have teachers with the skills, but they're in classrooms with 23 to 33 students and they're teaching everything: math, language arts, social studies, science, phys ed, computer skills. We have in this board resource centres where boxes of books actually sit for months unopened because there is nobody with the time to unpack them or to properly shelve them. It's our contention that to have a complete education, our students should have specialist teachers. They should teach subjects that they're experts in, and the students need to have the opportunity to learn music, to experience industrial arts and to participate in drama productions.

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If we're serious now about improving literacy skills for our youth, each school needs a teacher-librarian. As an added bonus, specialist teachers in the schools would

also help in providing planning time for teachers and they would help with the supervisory time that teachers have right now. We don't have enough teachers in the schools.

The next issue is professional development. Teachers take their profession very seriously. We work consistently to improve our knowledge and skills. We pay out of our own pockets for courses and conferences and we do it mostly on our own time, although our board, like all others, provides training for new teachers and for new curriculum initiatives that they undertake or that the government undertakes. We need more professional development days. We need time to talk to each other. We need time to plan as a school staff and to complete student assessments. We have four PA days now. We used to have nine. We need nine days.

The last issue that I'm going to speak to is special education, and the bottom line here is that we are not meeting student needs. We have IPRC and IEP. They are meetings where we program for individual students. These programs are mapped out, the parents sign these forms, they're happy with the plans, and then we can't follow through on them. We don't have the teachers, we don't have the resources. In our board, there are no full-time vice-principals; they're all student support teachers as well as being vice-principals. They're responsible for delivering programs to students who are identified with learning exceptionalities. But in a school you have crises, you have paperwork crunches, and school boards have meetings. The programming for our students with special needs ends up getting bumped. This happens over and over again. The funding for special ed is insufficient and the whole process to actually access that funding is too slow. There is a terrible need in our schools right now for more attention and resources for special education because, without it, we are failing some of our children.

Mr Lumb: I'm going to talk to you about the rural schools. In the Limestone district—not limited to just our district, but that's what I'm going to speak to you about—our schools in the rural areas face an increased hardship as a result of the funding formula. Some of the schools, such as the rural schools—and we also have island schools, like those on Wolfe Island and Amherst Island—have lower class sizes, but this puts them at risk of being closed because those class sizes are so small. As a result, the school may be closed and the children and the community could lose their school.

We are pleased that the government did put a moratorium on school closures, but that money needs to remain in place, and on a long-term basis, to keep these schools open. It's not an option for us to have children riding on school buses for two hours every day. You put a kindergarten kid on a bus because you close their community school and the kid is going off for an hour in the morning and an hour back at night because the nearest school has been closed and they have to go that much farther down the road. That's just not acceptable for our kindergarten student.

Transportation: Our board is part of a three-district partnership in transportation of students. We're Lime-

stone District School Board. We also have a partnership with the Hastings and Prince Edward District School Board and the Algonquin and Lakeshore Catholic District School Board. The partnership was undertaken a number of years ago to become more efficient and share resources, school bus routes and buses themselves, in the transportation of students. Although we have an efficient system, it's perhaps too lean and creates a problem as a result. For example, many buses do double runs and, therefore, we must pick students up at earlier times to accommodate the second run. As a result, we have elementary students arriving at school prior to any supervision being in place. When I say that, who's doing the supervision? Teachers are, on their own time because they would never see a student not taken care of. But they take it out of their own time. They go out early, but now they can't plan before school because they're out there supervising. Teachers are supervising students until late in the day, again because of double runs. We have weather and mitigating circumstances where a kid forgot something and has to go back, and it delays everything. So the people on the second run have to supervise later and later. Again, teachers take that from their own time because they would never see a student not served.

Elementary teachers are also directly affected by these issues in the way of a longer workday via huge amounts of supervision. That's why right now part of the issues in our bargaining across the province is supervision caps. We have to put a cap on it somewhere. We can't keep doing more and more. It's affecting people's lives and their health.

School facilities: During the previous government's time in office, schools' maintenance and renewal were basically ignored. Monies were taken out of other areas to a certain degree to pay for the maintenance and upkeep of schools that were already in need of major repair. In short, we've been putting Band-Aids on Band-Aids for years. The Limestone district has a number of old schools that are desperately in need of major renovation. We also have schools that, as a result of lower class size in the rural areas, end up with large class sizes in their buildings, because you have to have a 24.5:1 ratio in the aggregate.

The issue becomes that of space, or lack thereof. There is no space in some buildings for teachers to meet with students in small groups or provide one-on-one support. This needs to be addressed with more funding so that children are in a safe and appropriate environment to learn and attain the education that they need, deserve and want.

Energy: Price fluctuations in energy from hydro, petroleum, electricity etc are another example of costs that are going up and affecting school boards, and everyone else, I know. I bought gas here last week at 69 cents a litre; that afternoon it was 81 cents a litre. The great fluctuations in these prices are having a negative effect on school board budgets, which ultimately affects the classroom via programming, both in human and material resources. Those things need to get fixed, so they have to draw from other areas.

Just to sum up, we came here today to advocate for quality public education in Ontario. Based on the reasons we have mentioned, but not limited to them, we believe there is a need for more money in the public education system. We understand that it can't all be done within the four-year time frame of this government's mandate or tenure, so we are hoping for some bold moves from this government, because every study ever done in any country shows that long-term investment in young children pays off. We need to give them a good education because they're the ones who are going to be running the government, our hospitals and everything else when we're all retired—envying the teachers.

That's our submission. I'll be happy to take questions and answer them to the best of my ability.

The Chair: The questioning will go to the government in this round. Mr Colle has indicated he has a question.

Mr Colle: Thank you for the presentation. As my colleague from across the way says, how much more money? What you've brought to light is in contrast to—we had the presentation just before this. I guess that's the beauty of this committee; they're asking for \$3 million in the next five years to enhance Toronto's tourism capacity, and you put it into the Hummingbird Centre. Another choice is, you put it into the schools. We know the infrastructure needs updating in our schools all across Ontario. Those are the choices. Hopefully we can help make the minister, in his wisdom, come up with the right investment. I think a lot of us probably already have decided where we would put our money.

The question I have is: I'm just wondering, at what point do we start to come up with some new, innovative ideas? I think we all agree there's never going to be enough money. None of us around here probably debates everything you put across. I would think we need to put money in all those areas. In fact, last year the Limestone board got another \$8 million above. I know that doesn't make up for all the cutbacks in the past.

I'm just thinking if we could at one point get leaders in education, whether it be the elementary school teachers' association or others, to start to come up with ways of maybe looking at this a bit differently. We're still going to have to put money into it, there's no doubt about it. Money is going to have to go. But how do we reinvest in public education in a way that gets us out of this spiral? We see that no matter what we do, whatever government is there, we always end up in this spiral where we're not really meeting the needs of our children, whether it be rural or special ed.

Is this just wishful thinking, maybe trying to get some other track going besides the usual dollars and cents, bottom line stuff, and how we can maybe try and find some ways in a way that we're really sharing ideas and implementing new things, maybe trying some pilot projects? You guys are on the ground floor. You know what works and what's wasted or what should be done. So I'm just wondering if you can mull that over a bit in your response.

1350

Mr Lumb: I think we're doing that right here and now. This is really strange for me to be here today, because over the last eight years nobody has talked to us. Your government is talking to us. There is conversation here today, which is great. There is conversation I know going on between our provincial folks and your government, and that's all positive in our minds. We're certainly willing to work with a government that is willing to work with us. Your government is doing that and we applaud you for that.

I think there are ways. I think you're right; we need to look at new ways of doing things. There isn't a money tree or an endless stream of money and we need to be efficient with our dollars. We're certainly willing to look at ways to do those things. But that always starts by communication, and this is an example of that. So I think if we keep doing that, in time we'll find ways to do that. But we are playing a bit of catch-up because of the previous government.

Mr Colle: There's no doubt about that.

Mr Lumb: Your government has started the money flowing and we really appreciate that. We're looking to try and get back those things that Dr Rozanski had put in his report. We understand that we're not the only issue in Ontario, but we want to make a stronger Ontario and we believe one of the strong ways to do that is by having well-educated individuals, children who become productive members of society in this great province of ours.

Ms Wells: Could I add to that? Is the time up?

The Chair: We've got about 30 seconds.

Ms Wells: We are trying some interesting things here with new information technology. We have piloted in this board some ways of making things work in terms of literacy and numeracy. Honestly, it's a little weird that our teachers go to these things, they do this stuff, they say what they think, and then it actually gets turfed sometimes if it doesn't work, or it's expanded upon. So we're willing to try things out. If there's a better way, let's find it.

The Chair: Thank you for your presentation this afternoon.

LENNOX AND ADDINGTON ADDICTION SERVICES

The Chair: I call on the Lennox and Addington Addiction Services to come forward, please. Good afternoon. You have 10 minutes for your presentation and there may be up to five minutes of questioning after that. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Mr Stafford Murphy: My name is Stafford Murphy. I'm the executive director of Lennox and Addington Addiction Services. We're a small agency that serves Lennox and Addington county, which is to the west of here.

I have to apologize; I don't have any written submissions to hand out at this time. However, I will for-

ward something on in the next couple of days when I have a chance to review everything a little bit more thoroughly.

I'd like to thank you for the opportunity to present here. As the previous speakers were saying, this is the first time for me as well. It's unusual, presenting in this forum, but it's an opportunity that I wanted to take because the addictions field has been classically underfunded in the last 10 years. There hasn't really been any increase in the base funding, and the treatment field is really struggling. I wanted to just address some of the issues that my agency faces; not only my agency but the agencies in southeastern Ontario and a lot of the agencies across the province. We're all in the same boat.

My agency is very fortunate in that we currently don't have a waiting list. That's uncommon, because most agencies do. We have people who are coming to us all the way from Oshawa for an assessment and a referral simply because the waiting list is two or three months. We have people coming from Lanark county, from Kingston, that sort of thing, because they're not able to get service. We don't have a waiting list but we aren't serving all the people we could serve. In setting the course, several populations were outlined—youth, women, seniors and people with disabilities—as populations that weren't being served. We know that we're not serving those populations as well as we could. We know, for example we could have full-time workers in our local high schools and they would be very busy. Seniors aren't represented in our clientele; they're a small statistical blip on our client stats.

We don't have the resources to do the outreach, to make connections with those populations as much as we would like. We just don't have the staff to handle it if we were suddenly to receive an influx of clients, of youth, seniors or whatever. We're really an overtaxed agency in an overtaxed field.

One of the reasons we don't have a waiting list is that we do receive funding from Ontario Works as part of the addiction services initiative. I just wanted to tip my hat to that program. I think it's a very good program. Certainly, for the model that we have in Prince Edward-L and A, I have positive feedback. We also have some funding from the local school board to do some prevention work. The problem is, that money isn't annualized for us. We're not able to offer staff stability, the security of a job. We aren't able to plan for years on end because we don't know; that money might not be there the following year.

As an agency, we don't have a waiting list, but we're not doing any sorts of really adequate prevention, health promotion or early intervention work, and that's something so important that we should be doing but we're not.

The current government is really focused on integration, and we would like to do that. As an agency, locally, because it's such a small town in a small area, we do have a good working relationship with probation, child welfare, Ontario Works and all the local agencies, but it could be better. But we just don't have the time, energy and resources to develop that. We don't have the time,

energy and resources to handle any more new referrals. There are other organizations that we would like to better integrate our programs with: local hospitals, the police, for example—but once again, just not having the resources to develop and foster those relationships.

We don't have a waiting list, but because we don't, we have sacrificed other things: clinical supervision time, program review, counsellor self-care, things like that. Counsellors are completely focused on the client, trying to make sure that we're seeing people as promptly as possible, but we're not doing the things we really should be doing for a quality service and for the best interests of our clients.

We don't have a waiting list but there are certainly waiting lists for our clients for specialized residential treatment programs. Specifically, I'm referring to clients who have concurrent disorder problems, co-occurring mental health and addiction issues. There isn't a residential program in Ontario accepting those clients right now that isn't private and doesn't have a long waiting list. That's so not only for concurrent disorders but also eating disorders, childhood trauma and things like that. For a lot of the specialized programs—Bellwood and Homewood—we can't afford to get our clients in there, and there are not a lot of other options. It's an example of a two-tiered health care system that currently exists, but nobody really talks about it.

One of the other issues that I wanted to mention was the issue of housing, where we have individuals, our clients, who are trying to make lifestyle changes, but they aren't able to find accommodation that is conducive to the recovery that they're trying to engage in. So because they don't have any other option, they're forced to live in buildings where drug use is rampant or to return to situations that really aren't very positive for them. That's a real issue for a lot of our clients.

With regard to the human resources issues, besides requiring more staff, the staff that we have are terribly underfunded, especially relative to mental health agencies. A lot of agencies are running into problems where their staff are leaving the addictions field for the mental health agencies, so we're not able to attract the qualified, experienced staff that we would ideally like to have. Once we do get them, we're not always able to keep them because they're leaving our agencies and going to work in mental health fields or in the hospital or corrections, where they can make 20% to 25% more. Most of my staff—or, I would say, all of my staff—aren't in it for the money, but at a certain point, especially if they're the sole provider for their family, they're making the choice to leave the addictions field and going into those other areas, so it really has an impact on the quality of care that we're able to provide.

1400

A lot of agencies are making the decision now to cut back on FTEs so that they can pay a fair salary. That means that if they're funded for 10 positions, they're going to cut down to eight but raise everybody's salary. That ultimately means waiting lists. You're going to have

fewer counsellors, more pressure on the counsellors that you do have and longer waiting lists for the clients. So it's a real dilemma.

Overall, I'm not looking for a set amount; I'm not looking for anything specific to my agency. I would just like to present the idea that the addictions field is in trouble, that we are out there. I think one of the reasons why we're either forgotten or ignored is the stigma related to addiction. There is less sympathy or less empathy for individuals who are dealing with substance abuse or gambling problems than there is for somebody who might have a mental illness. I think that's reflected in a lot of the attitudes that people have, that society has in general. Until that stigma is dealt with, I think we're always going to be the black sheep of the health care system.

As far as an investment—

The Chair: I want to remind you that you have about a minute left in your presentation.

Mr Murphy: OK, that's fine. As far as an investment—and I know that has been a theme—the 1999 Provincial Auditor's report estimated that for every dollar spent on addiction treatment, the province would save \$5.60 elsewhere. Our clients are involved in the criminal justice system, they're involved with hospitals, they're involved with children's aid and other areas, and it's really an investment that needs to be made. I just want to try and get it on people's maps and on the radar screen.

Thank you for your time.

The Chair: Thank you for the presentation. I just wanted to mention, before we go to questions from the official opposition, that if you provide any additional information to the clerk, he will ensure that everyone on the committee gets a copy.

Mr Murphy: Thank you.

The Chair: With that said, we'll go to the official opposition.

Mr Jerry J. Ouellette (Oshawa): Thank you for your presentation. What form of addictions do you deal with mostly?

Mr Murphy: Most of our clients have problems with alcohol and drugs. We are funded for one problem-gambling counsellor. We have very few problem-gambling clients at this point. With the casino in Gananoque, we've noticed a gradual increase. Research has shown that usually it takes about two years before you start feeling the full effect. But the majority of our clients are alcohol- and drug-related clients.

Mr Ouellette: You mentioned on numerous occasions the fact that you have no waiting list, which to me either indicates that you're doing your job very effectively or that there are a number of other agencies competing or performing the same service in the community. You mentioned a large number of other organizations. Are these similar organizations performing similar functions?

Mr Murphy: We're the only agency that would be performing addiction counselling in Lennox and Addington county. There are a couple of reasons why we don't have a waiting list. One is, we are dedicated to not having

one and we've sacrificed on other things so that we are seeing clients. I made reference to that as far as planning, supervision and things like that, which we should be doing.

We're funded by the addiction services initiative for a 0.6 FTE. If we didn't have that FTE, we would likely have a waiting list of probably at least a month.

Mr Ouellette: You mentioned that you're receiving clients from as far away as Oshawa. I would think that you'd be aware that the Pinewood Centre in Oshawa is currently under reconstruction. Once that's fully operational, I would imagine they'll be drawing clients from this area, because of the increase in size in the addiction centre that has taken place there. That would mean a reduction in the number of people expected to come into your area. How do you expect to handle it, then, if there are going to be decreases in the number of people coming in, such as the ones you're receiving from Oshawa, and those areas will be going to the new Pinewood Centre?

Mr Murphy: The clients that we're receiving from Oshawa only make up a small proportion of the clients we have.

Mr Ouellette: But I would imagine the capture area, once Pinewood is fully operational—

Mr Murphy: But I don't anticipate—between Pinewood and ourselves there's an addiction agency that serves Trenton and Belleville. I know that we would likely lose the clients who are coming down from Oshawa for the assessments, but that total in a year might only be about 20 clients. The point is, I guess, that they are coming down, driving the hour and a half or two hours for the assessment and then getting a referral on to residential programs.

Mr Ouellette: I believe Mr O'Toole has a question as well.

Mr O'Toole: We've read much in the mainstream media recently—the Globe and the CBC—on problem gambling and its addictive features. As you know, there's a certain amount of money set aside from the revenue side of casinos to address problem gambling. I probably tend to support that more resources should be in that area, even though you may not be seeing it now. I'd like to be on record as saying that I realize that even the decriminalization of marijuana is just one more potential risk or poor signal to the people or the clients that you're dealing with. There needs to be much more done.

If you were to ask the government for one sort of recognition—and they are the government. They are here, they are listening, and this is the opportunity to say how best to integrate the resources provisions, because these people generally would have, as a result of their problem, other associated risks in their lives. Those could be problems with their family or it could be that children would create problems. How could they integrate the service delivery better for more efficiency as well as integration of service delivery?

Mr Murphy: Problem gambling—

Mr O'Toole: Not just for gambling; I'm talking the whole addiction—

Mr Murphy: The whole addictions field? With regard to funding, one idea that has been floated around and that has been advocated by Addictions Ontario is the idea of a tax of, I think, 1.25 cents per every ounce of alcohol that's sold, sort of a similar model to that used with problem gambling, where a percentage of the revenue generated by alcohol sales is funnelled back into addictions treatment, so you have a—

Mr O'Toole: Formula.

Mr Murphy: Yes, you have sort of a formula. With the problem gambling clients as well, there's a formula that, once you reach a threshold of so many clients who have a gambling problem, then the government funds an extra FTE. There's a specific formula for that. With the addictions field there isn't that, and that would be a nice opportunity as well.

Certainly, I think the people in the addictions field—right now, we're given money to deal specifically with problem gambling, and it would be nice if we were just funded to deal with all the addiction issues. Really, I think most programs would say that their problem gambling program is very well funded compared to their addiction program, and so it's sort of the poor sister, because it is in the media so much and the government's getting the revenues from it.

Those are some ideas. I know taxing alcohol sales and having a link between alcohol sales and the revenue that addiction treatment agencies get is one idea that has been floated out there.

The Chair: Thank you for your presentation this afternoon.

1410

ONTARIO CORN PRODUCERS' ASSOCIATION

The Chair: I call on the Ontario Corn Producers' Association to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr Don Kenny: Thanks. I'm Don Kenny, and I'm a director with the Ontario Corn Producers' Association. I have the privilege of farming in the newly formed city of Ottawa. I've been a director on the Ontario Corn Producers' Association for about 10 years.

Mr Lloyd Crowe: Good afternoon, everyone. Again, I thank you for this opportunity. My name is Lloyd Crowe, and I also farm, actually about an hour from here in the Belleville-Prince Edward County area. We're just glad to be here. I've also been a director for 10 years with the corn producers.

Mr Kenny: I'll go through your brief kind of briefly. We have two areas that we want to bring to your attention today: The first one is the safety net file and the other is ethanol.

Ontario grain and oilseed producers generate \$2 billion in farm gate receipts annually and are plagued by

prices artificially depressed for years on end by the negative impact of the US agricultural subsidies. We had a program that offset that somewhat—that being the market revenue program—and it was terminated in December of last year. We definitely need a replacement program for that.

The WTO court recently ruled in favour of a Brazilian complaint against US subsidies. The WTO found that the US loan deficiency payments and the counter-cyclical program payments caused significant price suppression and serious prejudice, resulting in loss of market share and loss of investment. The same is true in Ontario. For example, corn acreage has been declining since the turn of the century, while corn acreage has expanded in both the US and Quebec.

Another US study found that US subsidy programs permit US soybeans, corn and wheat to be exported at anywhere from 24% to 48% below their cost of production, thus depressing prices in the receiving country.

I'll skip down to the next one: Agriculture and Agri-Food Canada's own research states that at least 29% of the decline in prices for Canadian grains and oilseeds between 1995 and 2000 was caused by these foreign subsidies. That represents an artificial depression of income costing Canadian grain and oilseed producers about \$1.3 billion annually, of which about \$454 million is out of the pockets of the Ontario producers. And we think those numbers are a bit low.

For this coming year, prices have once again plummeted for Ontario corn, soybeans and wheat, with current prices being offered for delivery this fall far below the cost of production. Just on that note, who would really lend producers some money to put in a crop when you can't forward contract it for higher than what your cost to produce this crop is? I just want you to think carefully about that. What's our industry going to look like if I can't, as a producer, go out and buy my input costs to put seed in the ground and, before I even put in the ground, I can't sell that crop for more than what it costs me to grow it? This has really come to a head this year, because these prices right now at this time are lower than I have seen in the 25 years I've been producing corn, soybeans and wheat.

Government assistance is essential to stave off this meltdown. If I were farming down south or just to the east of me, if I were a producer in the United States, I would have already received \$126.55 an acre from Uncle Sam over there. If I were farming in Quebec, I would have received about \$130 an acre. With the market revenue program that was just announced—and as of yet, I don't know the final figures that we will receive, but working out the numbers the way we think they will be, we will get about \$26 an acre. So we're just asking to help level this playing field.

The CAIS program just isn't working for grains and oilseeds. It's incapable of offsetting the long-term artificial depression of grains and oilseeds income because it merely stabilizes production margin at an average of the five years. The market revenue program was the best

program we had in helping to offset the artificially depressed prices that we'd been receiving.

So adequate funding is essential for a market revenue program, but we are advised that no new funding is available. Moreover, Ontario-government-imposed criteria make the design of a replacement program virtually impossible. The criteria: no new funding, cannot be triggered by price decline, cannot be commodity-specific and it must be national. It is important to note that none of these criteria applies to either US support programs or programs offered to Quebec producers. It is also important to note that corn is imported into Ontario from both the US and Quebec.

In Alberta, they offer a revenue assurance program that could be reworked to serve the needs of Ontario grains and oilseeds producers, but the Alberta government funds its program itself without federal assistance. A similar program in Ontario would currently cost perhaps \$300 million.

I'll turn it over to Lloyd to brief you on ethanol.

Mr Crowe: Thank you, Don. First, let me say a big thank you for the government's ongoing commitment to ethanol. This is really a bright spot in the rural community to see this happening.

Interjection.

Mr Crowe: Pardon me?

The Chair: Order. Continue on.

Mr Crowe: Sorry. If you could follow along, I'm going to try and be as quick as I can, because I really would like to have some questions and some interaction.

I want you to note what the Premier, Mr McGuinty, said on September 27: "It means at least five ethanol plants, it means at least \$500 million in investment, and it means 3,000 direct and indirect jobs. This is a huge boost to rural Ontario. You make ethanol from corn, so we are going to be asking Ontario farmers to grow a lot more corn"—underline "Ontario farmers grow a lot more corn"—"so we can put that stuff in our cars and clean up the air."

If we move down a bit more to this renewable fuel standard—and I'm sure you're all aware of how that works—down to the next part here, where it's underlined in black, "we already import more ethanol from the US than we produce.... Without more production in Ontario, refiners and retailers will simply import more ethanol from the US and Brazil. That is not what Mr McGuinty promised," nor, do I believe, does he want nor do we as corn producers want.

Premier McGuinty promised, again, that we'd be using more Ontario corn. So we have put forth a plan and, personally, I think this is a good idea and I don't see anything wrong with it. I just think that it's going to work for every one of us here and Ontario generally.

The OCPA's plan provides assistance directly to new ethanol production based on the purchase of source-verified Ontario corn, thus maximizing the benefit to rural Ontario. Government assistance for the new Ontario-based ethanol production, of course, is capped at

this \$8 million per year. So the program terminates in four years.

I'm just going to run down the \$1.5 million in improved corn prices that studies project, the \$50 million in new corn-buying, the \$1 a litre in total economic benefit and the \$150 million in total rural economic benefit annually. Then there's the incentive plan. It's quite easy to understand how it works once you've read it through.

In closing, I want to say that I can't apologize for the passion that I'm showing here today, because my future, my livelihood, is from corn, and also soybeans and wheat. I'm excited to see these plants come. We need one, especially from Toronto, where there isn't any. We can definitely supply these plants, but we want it to be Ontario corn and an incentive for that to happen.

I thank you for your time and I look forward to your questions.

1420

Mr Colle: I've never seen anyone so passionate about corn in my life, so go for it.

Mr Crowe: I was born that way.

The Chair: This round of questioning will go to the NDP.

Mr Prue: The first question is about the need for corn on a worldwide basis. It's used for many purposes. It's used for fuel, it's used for cattle feed and people eat it. You can do lots of things with corn. But is there not an oversupply, especially coming from the United States and some other places, which is depressing the price, as well as the fact that they're being subsidized?

Mr Kenny: The new bioeconomy in the United States is really changing that. I'm just not a real figures guy, but I've heard that within two years the United States will not be producing more corn than they're using themselves. So the bioeconomy, the way the ethanol plants are being built in the United States, is changing those figures.

Mr Prue: All right. So up until now there has been a glut, but because of ethanol, we're going to need this in Ontario?

Mr Kenny: Yes.

Mr Prue: Do you not see that that's going to change your ability to get loans and get monies for your corn without subsidy, or are you still going to need subsidy as well?

Mr Kenny: We need subsidies to help get our plants built and we need those jobs in rural Ontario. All we're asking of this government is to help us get the plants built. What better way to help rural Ontario than have these plants here in Ontario?

Mr Prue: I see the need for the plants. But you've also said at the end of the first full page, OCPA's farm income safety net briefing points, that the United States gives approximately \$100 more per acre in subsidy and Quebec gives \$105 per acre more than Ontario. Are you looking for this government to subsidize an additional \$100 per acre? That's what I'm not clear on.

Mr Crowe: As farmers, the last thing we want is to have to rely on any government assistance. But when the prices are so low, that's the beauty of the market revenue

program that we had. We also contributed to that a third—and a third provincial and a third federal. It would build up for the years when prices were OK and stabilized, but then for years like this year we were able to draw from it. Now the governments are saying that is not going to happen any more. We have to fend for ourselves.

Mr Prue: This government here has done that, I would assume? Within the last year, you've said.

Mr Crowe: Yes. It says in here that there will be no new funding.

Mr Prue: I just want to ask about this campaign promise. I take it that it was a campaign promise: September 27, 2003. This was in the heat of the election. He wants you to grow all the corn you can—this is Mr McGuinty—so he can put that stuff in our cars and clean up our air. How much have you heard since then?

Mr Kenny: We've heard the renewable fuels standard, whereby in 2007 we'll have 5% of our gasoline containing ethanol. But we are quite concerned that we haven't heard the incentive package to come along with that.

Mr Prue: Well, that's it. It's easy to just import it from Brazil or the United States and put it in the gas.

Mr Kenny: That's our main goal as the Ontario Corn Producers' Association: to help get these plants built right here in Ontario.

Mr Prue: I would take it that it would make much more sense to build the plants close to where the grain is produced rather than to build them in Toronto or someplace that's far away. There are trucking costs, transportation and the cost of the lands. Has there been any discussion with the government, with your local communities, about building these ethanol plants in rural Ontario, which would also provide jobs? I think it's essential that it not be built in the industrial areas. Have you had any discussions with the government on this?

Mr Kenny: Yes, and the plants that are in the works—there's one in Samia, there's one in Seaway Valley and there's one in Brantford. These are strategically placed so that they'll meet the needs.

Mr Colle: What about Chatham?

Mr Kenny: Chatham is already producing 120—

Mr Colle: The Chairman has one in his backyard.

Mr Kenny: Yes.

Mr Prue: In a nutshell, so I can wrap up and know what you're asking for, it doesn't appear to me that you're asking for a subsidy, but you would like the old program back. It appears that you're happy to have these ethanol plants built. I don't know what you're asking of the finance committee. That's why I'm asking these questions. You're not looking for a subsidy or money or extra funds in this budget. You're just simply asking that we build the ethanol plants as requested, and that's it.

Mr Kenny: No. Our corn incentive program—if you go through there, the numbers are there for what we're asking from the government to help put that incentive in place. A dollar per bushel is what we're asking.

Mr Prue: You're looking for a dollar a bushel in the short term, and then let it go.

Interjections.

Mr Prue: Then I'm still not understanding. I'm sorry. Maybe, in the 10 minutes you couldn't explain it very well.

Mr Crowe: But if you follow it after we leave here, it's even easy for my small brain to figure out. It's just a make-sense proposition that will help curb this other corn from outside Ontario's borders into our area.

Mr Kenny: As far as the market revenue program, I've explained how that has been a good program, but it's ending. Under the criteria to design a new program, if we don't have new money put into that program—in those figures, I compared what producers in the United States and Quebec get. We want the same commitment from this government. We need a new program. Those figures that I gave you—if the market revenue program was to pay me out the way it should pay me out this year, it would take about \$280 million, and there's only \$84 million in the old pot left to come out to us.

Mr Prue: That's the kind of thing I needed. So what you're looking for here is about \$196 million from the province in this year.

Mr Kenny: Those are the figures, yes.

The Chair: Thank you for your presentation this afternoon.

Mr Ouellette: On a point of order, Mr Chair: I have a question for finance on this issue. Ethanol is something that I have a passion about and have done quite a bit of research on. My understanding is that the ethanol component found within gas is not taxed at this time. However, there's an unwritten rule within the Ministry of Finance that these new fuels, as they come on, are only tax exempt for five years. Is the tax exemption going to continue on? Are there any incentives potentially coming forward for new vehicles, such as General Motors introduced, which will be able to determine whether it's an ethanol blend, an E85 or what the blend is in order to accommodate new fuels as they come on? Could you find that out for us?

Mr Colle: Listen, I'll be more than happy to get those detailed answers to that, just to make sure we've got the right information. I'm more than happy to provide that, because I'm interested myself to see what we're doing.

Mrs Mitchell: On a point of order, Mr Chair: I guess I just wanted to add—as Ministry of Agriculture, I'll throw it on the table—that there are some discussions ongoing with the commodity groups as to what should happen with that taxation received on the gasoline.

Mr O'Toole: On a point of order, Mr Chair: I'm very privileged to come from the riding of Durham. Dale Mountjoy and I will be attending the district 4 meeting next Thursday. I'm very supportive of your initiative with respect to the CAIS program. It doesn't work for the field crop group as much as others because of depressed prices over the longer period, the five-year averaging—

The Chair: It's not a point of order; it's a point of information.

Thank you for your presentation.

**KINGSTON CONSTRUCTION
ASSOCIATION**

The Chair: I call on the Kingston Construction Association to please come forward. Good afternoon, sir. You have 10 minutes for your presentation. There could be up to five minutes for questioning. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr Dan Corcoran: Thank you. My name is Dan Corcoran and I'm a past president of the Kingston Construction Association. I want to thank you for allowing the Kingston Construction Association to make a presentation to the committee.

Our association is comprised of over 340 member firms and organizations involved in all facets of the industrial, commercial, institutional and heavy civil sectors of the construction industry. Together, we provide over 6,000 jobs in this community.

First and foremost, we wish to compliment the provincial government on some very important initiatives they have taken that will benefit both our industry and all Ontarians. Thank you to the Honourable Mary Anne Chambers, Minister of Training, Colleges, and Universities, for implementing the refundable tax credit for employers of apprentices in construction. This program, which will fund up to \$5,000 per year over three years for every eligible apprentice, is a very important start to encouraging more young people to enter our industry and to reimbursing employers for the training costs incurred to create a skilled labour force that will ensure the province's future prosperity.

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Thank you to the Honourable David Caplan and his staff at the public infrastructure renewal ministry. Although the projects are just beginning to be firmed up, the planning process in place is something Ontario has long needed.

Infrastructure spending is not an expense, it's an investment. Every \$1 million of infrastructure expenditure creates around 15 jobs and stimulates \$3 million in additional spending. There are economic and environmental benefits to lowered congestion, and health and safety benefits from safer highways and cleaner water and air. When the construction industry prospers, all Ontarians benefit from improved health and prosperity.

We do have some suggestions for improvement to the provincial economy. There must be a coordinated campaign against the underground economy. The Council of Ontario Construction Associations, commonly known as COCA, and the Ontario Construction Secretariat estimate that the government of Ontario is losing hundreds of millions of dollars per year from the construction industry alone. Contractors who obey the law are at a distinct disadvantage to those who flout the law, and that is not fair. The underground economy is responsible for unfairly high WSIB rates because law-abiding, rule-following contractors are paying the whole shot, and those WSIB rates are a factor when companies are thinking of investing in Ontario.

Many construction firms pay more in WSIB premiums than they do in income tax. WSIB premiums are a payroll tax that is levied even if the year is unprofitable. We argue that the government should focus as hard on bringing fairness to the WSIB system as it does in bringing fairness to the income tax system. Taking firm measures to bring the underground economy to heel is one of the single greatest steps the government can take.

Renewal of infrastructure is crucial to the economic health of this province and to providing opportunity for all communities to share in this prosperity that sound infrastructure enables. It is important that as the government implements infrastructure programs such implementation keeps in mind all areas of the province, not just the greater Toronto area. For example, a sharing of the gas tax with municipalities that concentrates inordinately on public transit may work most efficiently for the GTA, but a one-size-fits-all solution will hurt several of the poorer rural communities.

In this region, consider the case of Central Frontenac township. When provincial Highway 38 north of Kingston was downloaded to the municipalities a few years ago, Central Frontenac township was provided \$3 million to handle future maintenance needs. Central Frontenac immediately commissioned Archibald Peterson engineers to study the condition of Highway 38 that was within the municipality. Archibald Peterson determined that at the time of downloading \$7 million was required to upgrade the highway to the provincial government's own acceptable standards. The township spent the \$3 million granted to rebuild the 10 worst kilometres. They still have a shortfall of \$4 million. This need has since been verified by another consulting firm. The township's total municipal budget for a year is \$4 million, for everything: emergency services, road maintenance, snowplowing, their share of social services, recreation, waste management etc. In fact, Central Frontenac township's entire road construction budget is only \$300,000 per year. If the township shut down its entire operation for a year and laid off all staff, they could fix this one road, or, if they do no work on any other road for 13 years, they could fix this road out of their current budget, probably just in time to start fixing it again.

A sharing of the gas tax that concentrates on urban transit ignores the needs of some of our poorest municipalities and citizens to the benefit of some of our richest municipalities and citizens. Some allowance for the number of kilometres of road in each municipality relative to the tax base of that municipality should be considered.

Kingston, one of Ontario's oldest municipalities with some of Ontario's oldest infrastructure, has massive needs that are practically impossible to fund on our relatively small local tax base. The rural municipalities to the north of us have been hit even harder by provincial downloading and spending cutbacks. Now that the province is prepared to share a portion of the gas tax, and as it prepares other infrastructure measures in its next budget, we ask that the government remember all the

municipalities in Ontario, not just those located close to Queen's Park.

The Chair: Thank you. This round of questioning will go to the government.

Mr Wilkinson: Thanks for coming today, Dan. We appreciate that, and we will definitely pass along your thanks to Minister Chambers and Minister Caplan.

In a larger sense, in regard to apprenticeship training, if we're able to secure the labour market agreement with our federal colleagues in Ottawa, I think that's going to go a long way to help. We've really identified training of apprentices—skilled labour—as just a tremendous impediment to the future growth of Ontario. We need to tackle that.

It's interesting, because the ministry is the Ministry of Training, Colleges and Universities, and I think that sends out a signal. I know for Minister Chambers, who comes as a former vice-president of Scotiabank, it's just been an eye-opening experience. Your group has been working with her to help her understand—where she comes from a university background—just how very important that is. So I think we're hopeful that we're going to have some good news on that.

As someone who's a new member, the construction secretariat, your group, and also the labour side, are coming together and giving all governments solid advice about what works.

Speaking about WSIB, I know I've had some discussions with Minister Bentley about how to get at this underground economy and just how really unfair it is. I was wondering if you could comment about the situation where companies that are not playing fair will have a job site that will be paying some WSIB premium, but not for everybody. Of course, somebody gets sick and they'll say, "Oh, that's the guy who got hurt. He's covered." Could you give us your opinion about a good, practical way to get around that, suggestions about going to a card system, that type of thing?

Mr Corcoran: My first thought was a card system, which has been talked about, this credit card identification card that will identify that there are WSIB premiums being remitted on your behalf by the employer. It also provides the opportunity for safety training that's required to work on job sites, that you've received that. So you can swipe the card and there would be some confirmation that you have had the necessary training, which of course is the employer's responsibility. The spinoff to that is the immediate effect it has on health and safety costs, for instance.

Mr Wilkinson: Exactly. And of course if you had that, all of those people would be paying income tax, right? I mean, you couldn't be one or the other.

Mr Corcoran: That's exactly correct.

Mr Wilkinson: So if we know who you are, then you're paying your fair—that gets the WSIB premiums down. It gets the income tax revenue up, which is where it should be, so it's fair.

You've given us a great example about the previous downloading that central Frontenac had to deal with.

Talk about getting a pig in a poke. It was three million bucks, but it's actually a \$7-million liability, which is shocking. We've heard that everywhere. That's why Minister Caplan has looked at that whole issue of what really is the infrastructure deficit. They'd save something like \$100 billion over the next 10 years.

The other thing I wanted to get your opinion on, just getting back to the training, is that a lot of us have been talking to the colleges in our ridings and also to construction. There seem to be some impediments in how the rules are set up about how many trained skilled labourers you have that you require for apprenticeship. It seems to be a real kind of roadblock there. We've got companies that want to get people into apprenticeship, but there seems to be a block there. We have the young people who want to get their papers and we have companies that want to hire them, but that whole process of the number of apprentices to the skilled person—could you give us some background on that and perhaps a suggestion on how to fix that?

Mr Corcoran: Our company is non-union, so we have the luxury of being able to decide who and what we hire. Organized companies typically have more—from what I understand, that's where most of the restrictions are. Unfortunately, the apprentice program is a great idea if the employer's motivation for hiring the apprentice is genuine, in that they need to increase the skilled labour that's available. That's great. If the motivation for hiring the apprentice is that they save a few dollars an hour, then of course that's the wrong motivation.

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I'm not sure exactly what the ratio is because, again, we're not organized in that respect, but I think it's old-school thinking. I think your comment earlier about the organized and the unorganized labour and the company's involvement in trying to get the common message to the government is a sign that there is more communication going on. In Kingston, I know the discussion with union and non-union companies didn't happen 10 years ago like it does now. Now we go into a room and we're not throwing things across the room at each other, so that conversation is a good thing.

The Chair: Thank you for your presentation. Also, on behalf of the committee, I want to thank you for appearing an hour and 15 minutes sooner than you were required to. We appreciate your assistance.

ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

The Chair: I call on the Ontario Public School Boards' Association to please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourselves for the purposes of Hansard, and the gentleman behind us will control the microphones for you. You may begin.

Ms Joan Hodge: Good afternoon. My name is Joan Hodge. I'm first vice-president of the Ontario Public

School Boards' Association. With me I have John McKnight. He's a finance consultant with the Ontario Public School Boards' Association. We appreciate the opportunity to participate in the annual pre-budget consultations. I will speed-speak. I have a lot to say and I want to get through it all. It's all very important.

The Ontario Public School Boards' Association represents the educational interests of more than 1.3 million elementary and secondary students from all regions of the province, or two thirds of the student population in Ontario's publicly funded schools. OPSBA's membership includes all of Ontario's public district school boards and most of the public school authorities as well. The combined budgets of our membership make up two thirds of the province's total expenditure in education.

The Ontario Public School Boards' Association shares the provincial government's goals of high quality educational programs and high student achievement. Improvement in both of these areas will be fostered by providing adequate resources to school boards. Coupled with the adequate resources, reliable multi-year funding will enable school boards to engage in effective long-term planning and will ensure increased flexibility in meeting student needs.

OPSBA has been advocating for many years that the provincial education funding policy must respond to four essential principles: equity, adequacy, autonomy/flexibility and accountability. We commend the government for the funding allocated to school boards in the current year, which has been helpful to school boards in meeting some of their financial responsibilities. Further investments are required, however, in order to address the fiscal challenges ahead for Ontario's school systems.

The current funding model is not an end unto itself. The ultimate goal for school boards and for the government is to support student achievement. OPSBA believes that there continue to be flaws and anomalies within the funding model which reduce its effectiveness in meeting student needs.

OPSBA believes that the stability and transparency of the formula-driven funding model is compromised unless there is a mechanism for a regular review of the benchmarks which drive the formulae, both the costs and the factors. In the last two grant releases, the province committed to creating a consultative process that would result in annual benchmark adjustments based upon cost indicators defined and established by the provincial government. Such an initiative is crucial. The ability of any board to maintain its existing programs and services to students, year over year, and to maintain their quality, is directly related to keeping benchmark factors and benchmark costs current. An effective mechanism for benchmark updates will allow the province and the public to set expectations that keep pace with boards' fiscal realities.

OPSBA believes that the need for this process is at a critical stage if the funding model is to continue to be an effective tool. In the report of the Education Equality Task Force, Dr Mordechai Rozanski stated, "The funding

model is an instrument for achieving the policy goal of continuous improvement in student learning and achievement, and if we want to ensure that a high level of achievement is sustained, the formula needs to be reviewed and updated on a regular basis. Only in this way will it continue to be an effective tool."

The implications of the failure of the funding model to keep pace with costs are profound. Inadequate funding in the core areas of the school system causes boards to draw on resources generated in other parts of the formula, if available. This in effect alters the formula factors in unintended ways, rendering the whole exercise of formula-based funding pointless.

Salaries and benefits are the key area of the funding formula that is impacted by outdated benchmarks. The provincial announcement for 2004-05 of a 2% wage increase, applied to the funding model benchmarks, will only result in approximately a 1.8% wage increase when the generated funds are applied to a board's actual salary grid. The funding gap in salaries and benefits continues to grow and is as high as 10% in some boards. Costs associated with benefits, both statutory and non-statutory, are soaring well above the 2% funding increase for 2004-05, further inflating this gap. Boards no longer are willing to further deplete programs in order to meet these cost increases.

It is becoming increasingly important for the government to acknowledge and recognize these impacts and to take steps to help boards deliver the intended programs. We are aware of the challenges of addressing this gap in a way that allows boards to replace the staff, programs and services which have already been lost. However, we are concerned that the salary expectations continue to be set in full knowledge that there is not sufficient funding for boards to meet that expectation.

Transportation: A continuing priority for school boards is the need to implement a new funding model for school transportation services. The end result of any appropriate funding model must be the provision of adequate resources which allow all boards to deliver a basic level of service to their students that is fair and equitable across the province.

OPSBA continues to have serious reservations about the fairness of the latest provincial position on transportation funding, known as scenario G. The proposed formula is very complex and does not provide a correlation between the need for common transportation services and the funding provided. Of specific note is the new concept of "ceiling" and "floor" introduced in scenario G. OPSBA does not support the inclusion of any built-in ceiling or floor in the model. If the components of the formula are appropriate, fair and equitable in design, and provide appropriate funding to deliver the necessary services in all parts of the province, then no such prop is necessary. If the prop is seen to be warranted, then OPSBA suggests that there is a weakness in the formula itself.

Again, a benchmark review mechanism would be beneficial in this funding category, as it would regularly

assess the financial situation. The 2% increase in 2004-05 did not nearly match the inflationary costs of transportation.

Declining enrolment: The declining enrolment grant was introduced three years ago in response to the new era of declining enrolment in a majority of school boards. The premise of the grant was to provide support for the fixed costs of boards and to bridge expenditure reductions in the short term. Fixed costs include school administration, library, guidance, school operations and facility renewal costs. The problem was compounded when the Ministry of Education announced a voluntary moratorium on school closures. Unless school boards can close or consolidate schools, there is little, if any, ability to achieve permanent, ongoing reduction in fixed costs.

As school boards continue to work with the declining enrolment grant formula, it is apparent that it has two serious shortcomings. First, the formula provides for a base level of enrolment decline that does not trigger any declining grant support. This concept must be reconsidered. Boards still face the loss of operating grants for fixed costs and require time to find ways to offset these reductions other than through further staff and program reductions. Secondly, the formula is not linear, meaning that the grant per pupil does not grow in proportion to the declining number of students.

OPSBA recommends that the declining enrolment grant decrease of 50% be waived for the 2004-05 grants to coincide with the closures moratorium, and that any further enrolment decline experienced in 2005-06 be eligible for an additional adjustment. We further recommend that a review of the impact of declining enrolment on the funding model be undertaken immediately to re-examine the shortcomings noted above and to make the grant more responsive to the actual experience of most boards.

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OPSBA asserts that a special-education funding process must recognize a direct relationship between identified student needs and the funding provided. OPSBA submitted a proposal to the Ministry of Education on special-education funding and will continue to work with the Ministry of Education to develop a new process that addresses and maintains that relationship. Any new special-education grant must continue to recognize the diversity of needs among the boards. It should be fair and equitable in the allocation of available resources and should place minimal administrative demands on both board and ministry staff.

The Vice-Chair (Mr Phil McNeely): Ms Hodge, you have about 30 seconds.

Ms Hodge: OK, then I will not complete the whole document but I will cover off.

In closing, OPSBA is pleased that the provincial government continues to work with the association to realize improvements in education funding. OPSBA pledges its continued co-operation and support for all initiatives that strengthen equity and ensure adequacy in the funding of public education.

I do thank you. I know the presentation was long. I can usually speak faster.

The Vice-Chair: The five minutes for questions will be from the opposition.

Mr O'Toole: Thank you very much, Chair. It's good to see a new Chair there as well. Mr Hoy has not had a break for a week.

Thank you very much for your presentation. We've had a number of presentations from school boards. Many people here, including myself, have served as school trustees on the provincial boards for years. Certainly the current government is blessed with the strength of Donna Cansfield and Liz Sandals, who are on their benches now, and some would say even Kathleen Wynne, but perhaps she should speak to Michael Prue about that. She might be in the wrong party.

I do hear what you're saying. In fact, in my time they always talked about equity in public education. I guess when the NDP had the Royal Commission on Learning, which was an extremely valuable benchmark report—I think you're probably very familiar with it—it recommended most of the things that the Conservative government did. You probably realize that. The equity issue is really where you're coming from as a provincial board. That has had some negative impacts on the larger boards, like Ottawa and Toronto, which are assessment-rich. As you know, it's a very complex issue. I just want you to comment on the equity issue.

When we came up with the equity and distribution model, where the province actually sets the tax rate on the residential side—you're aware of that?

Ms Hodge: Yes.

Mr O'Toole: It's uniform across the province. But on the commercial side it isn't uniform. The tax rate on commercial-industrial properties is not uniform. It is set by the province but it is done on kind of a regionalized formula. There have been deputations that have suggested they could increase the tax rate, which would be their choice to make. It's a tax by any other name. You could call it a premium; there is that chance.

I recognize as well—I'm kind of giving an update—that we are interested in this. My wife and other members of my family are teachers. We've had five children who have been well served by the public education system. The equity is something I very much support. Carol Mitchell certainly would too, because she represents a rural area where they had no assessment base and no money. It's the traditional problem.

The province has issued—and our challenge here is the very element of what you're talking about. The equity within the funding formula was begun by us under consultations. It was then reviewed by Rozanski, which was a commitment by us, and our commitment was to implement Rozanski. They did as well, but they have not flowed the Rozanski money.

The first initial change, addressing the incremental cost, the annualized inflation pressures, was certainly—have you had any response to that portion of the overall formula being indexed in any way? That's the key to this

thing. Whether it's inequitable can be developed across the province, but if there isn't some formula for indexation—because 75% of your budget is wages and benefits. That's the deal here. The signal in the budget is that they are not going to give any more money. I think the 1.8% will be the increase and otherwise there will be a strike.

The Vice-Chair: There are 30 seconds left for the question.

Mr O'Toole: Thank you. I appreciate your just responding. I do respect what you do.

Ms Hodge: Thank you. I'm going to pass that to John McKnight to respond.

Mr John McKnight: As I understand it, you're basically saying that—I've lost my train of thought.

Mr Colle: He said a lot of things.

Mr McKnight: I know he did.

Mr O'Toole: I'm talking about the indexation of the funding formula, the indexation issue of especially the—

The Vice-Chair: Thank you. I think that's all the time we have on questions. Thank you very much for the presentation.

NATIONAL CANCER LEADERSHIP FORUM

The Vice-Chair: The next presenter will be the National Cancer Leadership Forum. Thank you for coming today. You have 10 minutes to make your presentation. There will be five minutes for questions afterwards. To start, please state your name for the purposes of recording Hansard.

Ms Pat Kelly: My name is Pat Kelly and I'm the program director for the National Cancer Leadership Forum. With me today is Dr Anne Smith, who heads up the oncology program here at Queen's University and is the vice-president of cancer services for the Kingston area.

You must have the wisdom of Solomon to be making decisions from corn to construction to classrooms and now cancer.

Interjections.

Ms Kelly: All for the government of Ontario. I want to acknowledge the challenge you're facing today, but our challenge is to make the case for cancer control in Ontario and I really appreciate the opportunity to present to the committee.

We're a national organization, and the National Cancer Leadership Forum is here today because there is a leadership role for Ontario in cancer control in this country.

I represent a coalition that includes doctors, nurses, patients, cancer professionals, survivors and advocates. We're unified now in a compelling effort to accelerate radical change in the way that Canada responds to cancer. Together we possess thousands of years of fighting cancer and fighting for Canadians who are living with this disease. Our goal is to address Canada's response at the provincial level through the implementation of the

Canadian Strategy for Cancer Control at the provincial level.

In Canada, every year 145,000 people learn they have cancer and another 68,000 citizens die of this disease. It affects everyone in our society, and in the year 2000 it was estimated that an unimaginable 950,000 early years of life were lost to our economy, to our country, to our community and to our families.

The economic burden that cancer places on our economy is already pegged at \$14 billion a year and it will soar over the next two decades as the incidence for the disease rises and our health care systems become swamped. Over the next six years, 400,000 citizens will die of cancer and it will become the leading killer of Canadians. The net effect, warns the National Cancer Institute of Canada, is that the weight of the burden it will place on this country's economy and medical systems will be enough to crush our already stretched health care system.

In Ontario, cancer is the second leading cause of death, and more than 25,000 Ontario citizens die of this disease every year. This equals 70 deaths a day, or one death every 20 minutes. Two out of three Ontario households have been affected by the disease. Some 85% of new cancer cases occur in people over the age of 50, and although most of this committee may get off the hook on that one, you need to know it's the major cause of death in people under the age of 40 as well.

Ontario currently spends approximately \$2 billion a year on cancer services, and the indirect costs, including loss of productivity, are estimated at \$5 billion.

But we're not alone in this struggle. The case for a national cancer control strategy states that without a plan, the future looks even more bleak. More Canadians will develop cancer, more will die of the disease and more will suffer through the course of their illness. Despite increased funding, which continues to be allocated to non-integrated approaches, this scenario however is not inevitable. If we're to change the future, we need to act now.

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The Ontario cancer plan is a plan for action, an innovative, progressive, transformative call for action that was presented in late 2004 to Ontario's Minister of Health and Long-Term Care, the Honourable George Smitherman. The Ontario cancer plan provides actionable advice to government and sets the stage for rapid decision-making and implementation. The Ontario plan outlines six priorities for action: to broaden the development and use of provincial standards and guidelines to ensure quality of care no matter where we live in the province; to implement regional cancer programs and services; to close the gap by reducing demand for services and increasing our capacity to treat patients; to implement rapid access strategies that reduce waiting times; to invest in performance measurement and accountability so that we can report to the public on progress made; and to advance the coordination and focus of research.

The case for action in Ontario is urgent. Too many cancer patients today experience a fragmented system of care with major gaps between diagnosis, support, palliation, health information and access. Cancer services are not sufficiently coordinated at the regional level. Waiting times for cancer surgery, radiation, systemic therapy and diagnostic services are far longer than recommended by experts, and have been for years. Existing facilities are not able to support projected increases. The lack of reliable, timely and standardized data makes planning, management and monitoring of the system difficult. There are few provincial standards and performance indicators, and variation in quality exists across regions, across organizations and even across practitioners.

Implementing the Ontario cancer plan means (1) improved outcomes, (2) reduced waiting times, and, more importantly than all, (3) increased public confidence that the system will be there when we need it and that it will be the right system.

However, I think the greatest challenge facing the cancer plan is leadership. Leadership at the federal level is needed to bring the Canadian strategy for cancer control to life. All levels of government across Canada must provide immediate leadership and funding. To ensure the success of a national strategy, the federal and provincial governments must introduce a coordinated and targeted approach to cancer care, they must develop systems to support knowledge sharing, and they must find ways to ensure that the best approaches to prevention and treatment are equitably employed across Canada. In fact, we do have plans, especially here in Ontario.

The federal cost for implementing the Canadian strategy for cancer control over a five-year period will be approximately \$100 million annually, including \$50 million for the Canadian cancer research alliance. The cost, of course, of not implementing a national plan to control cancer in Canada is unimaginable.

The provincial cost requires an investment that's broken down into three distinct categories: volume, transformational and capital investment. These funds are in addition to those that the province is currently expending, which are, as I said, in the order of approximately \$2 billion a year. Volume investments are those that are required to address projected growth in cancer screening and treatment. The transformational investment targets a number of strategic investments such as regional cancer services and rapid access strategies. Finally, capital investments are to ensure new treatment facilities and new equipment are there when needed.

The cost of the volume investments during the period of 2005 to 2008 will be approximately \$281 million, the transformational investment is approximately \$275 million for that period, and the capital investments are in the range of \$276 million. As I said, this increase in cancer spending will be required whether we plan for it or whether we don't. But being fiscally innovative here means applying what we know now in Ontario. It wasn't so long ago that Ontario was referring cancer patients to

the US border cities for treatment. If we are to ensure this doesn't happen again, we must meet the current and future challenges that affect our system. We must do that by acting now.

The government of Ontario has set out an ambitious agenda to transform the health sector: improving access by reducing waiting times, improving efficiencies, integration, and greater public accountability for public funds. As a component of the larger system, the plan for cancer incorporates what we know about where health care is going in this province and remains completely aligned with government initiatives. This plan includes responsible targeted investments for increased volume of treatment, improved waiting times, improved transformation initiatives and investment.

The Vice-Chair: You now have about 30 seconds.

Ms Kelly: It's important to note here that the Ontario cancer plan is the first of its kind in Canada, and the government of Ontario has an opportunity to be a champion at the national level. As the co-chair of the federal-provincial-territorial ministers' meetings, Ontario will help focus all ministers' decisions on implementing the Canadian strategy. We have a plan in Ontario. It's time for this government to make a firm and unshakeable commitment to cancer leadership. Nothing else will do.

The Vice-Chair: Thank you for your presentation, Ms Kelly. We now have five minutes for the third party, the NDP.

Mr Prue: Just so I get a firm handle on the numbers, you talked about \$281 million for volume, \$275 million for transformation, \$276 million for capital. That's per year?

Ms Kelly: No.

Mr Prue: That's over the five years?

Dr Smith: That's over the three-year period, and it's incremental on the base we have now. The volume investments: If you recognize that there will be 165,000 new cases over the next three years, this will be a continuing increase. The transformation investment: Some is one-time funding and others ongoing. The capital investment is mostly one-time funding.

Mr Prue: This makes it complex, then. I'm just trying to figure out how much you're looking for in this particular budget. The reason I'm asking that is that the finance minister has stated there will be no tax increases and he has stated that the total amount expended next year will be approximately \$500 million more than what is being expended this year. That's for everything. So I need to know exactly what you're looking for in this particular budget so we can mull it around and we can advocate on your behalf. Now, I don't agree with him not raising the taxes and I think we need a lot more stuff done, but that's what he said.

Dr Smith: Adding it up, it's approximately \$180 million over this next year.

Mr Prue: You said that we're spending \$2 billion now—

Ms Kelly: We spend approximately \$2 billion a year on cancer care in Ontario.

Mr Prue: So this would be \$2.18 billion?

Dr Smith: Correct.

Mr Prue: So that's not really too untoward; it's a bit of an increase.

Have you received any commitment from the minister to do this kind of thing or from Mr Sorbara that he would put these amounts of money forward?

Ms Kelly: I believe when the minister received the report from Cancer Care Ontario he did in fact make a strong commitment to recognizing the need for incremental services in cancer control. He did not respond with an amount, as yet.

Mr Prue: So that's what you're hoping this committee will do?

Ms Kelly: That's the right thing for this committee to do.

Mr Prue: OK. The federal government: How much leadership have they shown to date?

Ms Kelly: You've got a leadership gap there for sure. As we said, the Canadian Strategy for Cancer Control was developed and presented to the federal government in 2002. It's three years later, there have been 200,000 deaths from cancer in this country, and we have not acted on a single recommendation in the national cancer plan.

Mr Prue: And how realistic is it for Ontario to do its part if the federal government doesn't do its part as well?

Ms Kelly: Cancer care in Ontario, I believe, has a very strong opportunity. The fact that we have a plan—this is just the executive summary. Nothing else like this exists across the country. This shows how we implement a plan at the provincial level. Our Minister of Health now has an opportunity among his colleagues at the FPT level to say it's time for a working group to strike how we're going to deal with it. Because whether we deal with it or not, the fact is, without a plan those people are going to get cancer over the next 10 years. In fact, most of them already have cancer; we just don't know who they are. They're going to be diagnosed and they're going to need care. We can do it in an ad hoc way, the way we've been doing it, or we can do it in a planned way, and we'll lead not only Canada, we'll lead the world.

Dr Smith: This does more, does it differently, and it does it right. It's actually planned. Three thousand individuals became part of this planning process. It has been well coordinated, and I think it will lead to improved access, improved wait times and it will in fact be much more efficient than the fragmented way we do it now. As I said before, it will cost us anyway, because when patients come through the door with cancer, they need to be treated.

Ms Kelly: We represent, by the way, over 30 of the major cancer groups in this country, including the Canadian Association of Medical Oncologists, nurses in oncology, the Cancer Society, the National Cancer Institute, and prostate, ovarian and breast cancer. It's the first time a coalition of fragmented cancer groups has come together.

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Over the past year, we'd been working together on a communications and government relations plan and

developing our own community. What you need to know as well is that next week—we feel so strongly about this—you'll see full-page ads in the *Globe and Mail* about what we know about cancer and what you need to know about cancer and how we have to take control of this.

The Vice-Chair: Thank you very much for the presentation.

Mr Colle: I hope you'll mention the federal gap there.

Ms Kelly: Every opportunity I get. Thank you kindly.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

The Vice-Chair: The next presenters are the Ontario Association of Children's Aid Societies. Thank you very much for coming before this committee. You have 10 minutes to speak. There will be five minutes for questions afterwards. Please state your name for the purpose of recording Hansard.

Mr Dennis Nolan: My name is Dennis Nolan. I'm the past president of the Children's Aid Society of Ottawa and currently the vice-president of the Association of Children's Aid Societies in Ontario.

We're grateful for the opportunity to be here. On my right is Jeanette Lewis. Jeanette is the executive director of our association. We represent 52 agencies from across Ontario, and we're grateful, as I said, for the opportunity to present.

Children's aid societies in Ontario provide an essential service and are legislated to perform certain functions under the provisions of section 15 of the *Child and Family Services Act*. This section of the *CFSA* mandates children's aid societies to investigate allegations that children are in need of protection, to protect children, to provide services for protecting children and for the prevention of circumstances requiring the protection of children.

Ontario's children's aid societies are facing enormous funding pressures during the current fiscal year 2004-05. Agencies are very concerned about their capacity to continue to deliver mandatory services, the ones I just mentioned, for the delivery of child welfare.

Our current expectations are that we will need to spend \$1.165 billion, and this is approximately \$80 million in excess of what the current estimated funding will be. On page 1 of our document—if you'd look at the bottom paragraph, you'll see that figure. It says there "\$1.65 billion;" it should say "\$1.165 billion." Leaving out that "1" is a mistake of about half a billion dollars, and I wouldn't want to leave that with you. The proof-reading team missed it last night, the proofreading team being guess who?

We have a good partnership with the minister and the ministry and the minister's staff. All of those people are very well aware of the situation that our various agencies are in. They're very well aware of the impact that missing \$80 million will have on both the agencies and the children. We're here, I guess, to say that we can't let

that happen, because the safety of children is at risk. These children depend on these services being available.

As you well know, the children who are served by the children's aid societies are the responsibility of the government and, devolved to our agencies, we jointly need to do something to address this problem. We need adequate funding to support the mandate, and it really needs to be provided this year and in the future.

I'll invite Jeanette now to go through the demand for services and some of the problems that we're experiencing.

Ms Jeanette Lewis: Thank you, Dennis. I would ask the committee to look at the graphs on pages 2 and 3 of our brief. These graphs outline the demands that have been experienced, and you'll look at the lines. They're going ever upward, although there does appear to be some levelling out in the last couple of years. It's our understanding that the forecasting unit of the Ministry of Children and Youth Services is expecting that this will continue. Nonetheless, the total number of children in care in Ontario at the end of March of last year was just over 19,000, and we estimate that it will be a very similar number this year. As the numbers of served go up, so do the costs. You're quite familiar with that.

On page 4 we have a graph that outlines the net expenditures and the allocations for societies in the past few years. I want to note here that the gap between the entitlement or the allocation under the funding framework and the level of expenditure related to the service delivery has grown over this time from 1.7% to about 7%, so it's a gap that's widening. This is something that governments have responded to with mitigation funding, but it does take a great deal of effort on everybody's part to be continually applying Band-Aids. We would much rather see an arrangement that gives some positive way of planning both for government and for children's aid societies in terms of being able to sustain the mandate and also sustain the commitment in terms of funding, because we know this has been a pressure point in the provincial governments.

We're very supportive of the establishment of the Child Welfare Secretariat. Minister Bountrogianni announced the secretariat last spring. One of my colleagues, Bruce Rivers, heads the secretariat. We believe that this secretariat is very close to taking recommendations forward and generally, from the involvement that our association has had in the secretariat's work, we are supportive of the direction that is being proposed, as we understand it.

One important direction that is being proposed by the secretariat is a multi-year funding model. While this is something we look forward to, we're also very concerned that we're less than three months away from the beginning of a new fiscal year, and we're going to have to have some understanding of what that model might be and some planning time to be able to get all of our societies ready to move into a new era.

On page 6 we've outlined some of the efforts that our member societies have made in terms of cost containment. I want to note here that a recent review from the

Ministry of Children and Youth Services, the Child Welfare Evaluation Report, did note in its review of other jurisdictions throughout North America that there was no evidence to suggest that there's a more cost-effective way of delivering services than what we have in Ontario. Also, in terms of work that we're aware of, we have the second-lowest rate of children in care in Ontario. I think there has been some sense that Ontario has a very large number of children in care, but proportionally, in terms of the population of children, our rate is second only to Newfoundland in terms of one of the provinces that's not got a large number of children in care. But we have a large population of children, we have a large population in this province, and I think we're doing fairly well when you look at the numbers, then, in comparison.

Some of the reasons why our expenditures have increased, you're aware of: the changes in legislation in 2000 that provided for the Ontario risk assessment model and very standardized criteria that required investigations of certain cases. These are not optional investigations; these are investigations that are required by statute. Thus we've had many changes. The net result is that we believe we're doing a much better job of protecting children in this province and caring for children, but it is costing more money, and you're well aware of that.

We do look forward to a changed funding model. As I noted, we support the work of the secretariat but we hope that this new funding model will consider some of the major issues that have driven our costs. I think you're also familiar with these from past presentations that our association has made. The impact of inflation on salaries and benefits: The funding formula under which we work was established in 1997-98 and it's essentially had no substantive adjustment.

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The costs of serving children in care: We continue to have a dearth of foster homes and adoptive placements for children in Ontario. We need to place more emphasis on recruiting and retaining homes that can care for children. We also have a very expensive residential service model and one that we think does need review. We certainly would support a review of the residential system so that we're able to assure ourselves that appropriate standards of care are in place for children who are in group care.

You're aware that because of increasing numbers we have increased legal costs—children come into care by court order, not by the choice of a society—and basic things like paying for telephones and travel and those kinds of costs that we all experience in our own budgets.

I'd also note that we've not had a standardized system of information technology in children's aid societies. We have a little bit of a patchwork across the province. This makes it difficult for the province to collect data and also for us to have good methods of sharing information.

I'm going to stop there, because I know you're all capable of reading the report, and let Dennis provide some concluding remarks and then provide some time for questions.

Mr Nolan: Very quickly, the child welfare sector anticipates that the services demanded of CASs will continue to increase and that the unit costs will also increase, at the very least by the rate of inflation. So we would take the view that additional funding is required just on that basis. Additional funding is also required, as Jeanette outlined to you, just to manage the current level.

OACAS would like to thank you for the opportunity to present this paper and outline our concerns. As we indicated in the paper, we stand ready, and so do all of our members, to offer our commitment to working closely with the government, with the secretariat and with the minister. We are here in the interests of the children. We want to achieve the best outcomes for the children of Ontario who are our responsibility because, after all, they are all our kids.

The Chair: Thank you. The questioning in this round will go to the government.

Mr Wilkinson: First of all, on behalf of all of us here, all three parties, I want to thank you for the work that you do. I know you don't get to hear that very often from the people who send the cheques, but on behalf of all the kids, we appreciate what you're doing.

It's interesting with our government—the creation of the new ministry. It took some time for that to shake out. I know it took time but, on the other hand, to have someone at the cabinet table whose sole function is to advocate for children and youth is one of those innovative things that needed to be done so that that voice that was so often overlooked was heard.

What I'd like to ask you to comment on is a theme that has developed today about the questions of determinants of health and determinants of social justice. We're charged with the question of how money is to be spent this year, but also many people come to us about what we need to do, what investments we have to make to overcome structural problems that are resulting in that. We just heard from the cancer—we have this epidemic of cancer. We're finally getting around to banning public smoking, for example. If we'd done that 20 years ago, arguably the demand right now would not be nearly as great. The Sisters of Providence were here. Welfare rates were cut, and now we're paying the social costs of that inequity.

So what I'd like you to do is comment—it isn't part of your brief. We need to help you out right now, but what are the strategic things we can do as a government, in your opinion? The number one reason that a child, for example, is placed in care is what?

Ms Lewis: Can I just comment and reference some research that I'm sure you're aware of from London and the leadership that that society has taken, in terms of a review of cases over the last five years, in indicating in their work that some of the drivers are poverty, domestic violence, the history of having been in care, issues around neglect, issues around mental health, particularly mental health issues of the parents. So those are some of the structural kinds of drivers.

Then I think now to the current work of the secretariat and looking at our system, which has been, I think, focused very much on investigation: As I understand from the discussions I've had with Mr Rivers, the head of the secretariat, there's much more of a focus that wants to look at how we can strengthen families, how we can strengthen biological families to take care of their children and how we can also look at permanency models, including kinship, including strengthening our adoption system, including, for our aboriginal peoples, customary care models, and other models so that children can be cared for as much as possible within their own communities and within their own families.

At the same time, we do have to recognize that there will always be a core of children for whom the societies will need to be there. That's why we are very much supportive of a strengthened residential care system, a robust foster system in this province and, I think, a good emphasis on domestic adoptions.

The Chair: You have about a minute.

Mr Wilkinson: Yes, I'm just talking about—I guess I learned from doing this last year that as we see here, you know, for the want of a nail, the kingdom was lost.

With family responsibility, we have all these women who are caring for children as single mothers, or dead-beat parents who don't take responsibility and are not making these payments, which is a great source of poverty, particularly for children, putting them in situations that you and I would find just nightmarish. Of course, we have to go through the whole system to get those children to try to protect them.

So I guess my comments—I think it would help us if you were able to add this research that was done to your brief and share that with the committee. I think all of us would find that quite helpful.

Ms Lewis: I certainly would be very pleased to share that. London has been a leader. We will share that study. There's also a second study from London, which I'm aware of, that talks about the mental health issues of children in care. Mental health is a huge driver, and not only for the parents. Many children have been extremely traumatized and are demonstrating mental health issues as they come to our attention.

Mr Wilkinson: Great. Thank you.

The Chair: If you would provide any additional information to the clerk, he'll ensure that each member of the committee gets a copy.

Ms Lewis: We'll get his business card, and then we'll send it to him.

The Chair: Thank you very much.

Mr Wilkinson: Mr Chair, just following up on a comment that was made by our friend Mr Barrett yesterday—he asked a question about Drive Clean and applicable cars—I move that this committee recommend to the Ministry of the Environment and the Ministry of Transportation that low-emission, alternatively fuelled vehicles be exempted from the Drive Clean program.

The Chair: Would you provide that in writing to the table.

With that said, I want to thank the support staff for their fine work this week. This meeting is adjourned.

The committee adjourned at 1528.

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**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



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LEGISLATIVE ASSEMBLY OF ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS**

Monday 17 January 2005

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Lundi 17 janvier 2005

The committee met at 0901 in the Four Points Sheraton, London.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order. The committee is pleased to be in the city of London for our first day of hearings this week.

For the committee, at your seats is an answer from research to a question that was asked previously.

Mr Colle?

Mr. Mike Colle (Eglinton-Lawrence): Mr. Chair, on a point of order: I would like to seek unanimous consent to add two organizations to present to this committee. There has been a request for an organization called WRAFT, a waterfront owners' association across Ontario, to be added to the agenda in Whitby, and the Toronto Board of Trade has asked to be added to the agenda tomorrow in Toronto. Those are two requests that we've had.

The Chair: Do we have unanimous consent? Agreed.

If there's no further organizational business, we'll move to our agenda.

CITY OF LONDON

The Chair: First this morning is the city of London.

Good morning, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes for questioning after that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Tom Gosnell: Thank you, Chair. I'm Tom Gosnell, deputy mayor of the city of London. Joining me are Grant Hopcroft, director of government liaison, and Martin Hayward, director of financial planning and policy for the city of London.

Thank you very much for the opportunity to make a presentation. We applaud the efforts of the government to create this committee so you can come out and talk to interested stakeholders in the province.

Municipalities are on the front line of creating economic growth and developing safe, healthy and vibrant communities. The aggregate strength of Canada's municipalities, and in particular its cities, will determine Canada's place in the global economy. Funding pressures are affecting all orders of government and in particular

are impeding the ability of municipalities to prosper and grow.

In recent years, a number of services have been realigned to increase local delivery and funding of those services. Ontario municipalities are now more extensively involved in the delivery of health, housing, income redistribution and other infrastructure/economic development programs. While some property tax room was created for municipalities to deliver these new programs, experience has shown that the property tax base is simply not adequate to fund current municipal responsibilities. In addition, continued regulatory demands are placing increased pressure on a regressive tax, resulting in many on fixed incomes being placed in a difficult financial situation and, in their words, at the point of losing their homes.

There are three points we wish to bring as part of our pre-budget brief. One is to thank you for the changes you've made, such as sharing the gas tax. The second is to talk about how we need to stop the bleeding and place a moratorium on regulations that ultimately affect municipal costs and revenues. Third, fix the problem: Fund income redistribution and other soft services from nonregressive tax sources. Allow Ontario municipalities to be competitive, while allowing Ontarians to enjoy accessible social, health and safety services.

We have some common interests. They are building strong communities throughout the province, maintaining a sustainable social safety net, maintaining and developing our infrastructure, and supporting economic development, all of which I think are in the long-term financial interests of both the province and the cities.

The provincial government is moving toward a new deal, and we applaud that. We've applauded the provincial transfer of the gas tax. We understand there's a memorandum of agreement with AMO to keep working on it. Much more has to be done. But in the short term, we have to stop the bleeding. Every year since the original 1998 local services realignment, new pieces of legislation, regulation or standards have been introduced that require an increase in the cost on the municipal property tax base. Over the last two years alone, London has had over \$13 million downloaded to the tax base. We need your help to regain control of those expenditure increases, and the municipality to work with the province on a longer-term solution. To do that we have the following recommendations.

The first is to place a moratorium on legislation, regulations and standards that drive up municipal costs. For example, newly introduced changes to eligibility requirements for Ontario Works and the Ontario disability support program will drive up caseloads. We are looking at a very significant cost for the drug program in the case realignments, and that's part of the brief you have before you.

Second, we need to change the arbitration process to allow for greater fairness toward municipal taxpayers when awards are made. Again, we've outlined that.

The third point is that cost sharing arrangements for land ambulance need to be revisited. This started as a 50-50 agreement with the province. It is now almost 40% province and 60% municipality. For the municipality of London alone, that's a \$1.3-million annual burden, and that needs to be addressed. There need to be new user fees for land ambulance, requiring regulatory changes.

The education tax for London is very crucial for us. The education tax for London in the industrial class is higher than in any other Ontario municipality, while the commercial rate is among the highest. We need to work with the province to bring that into a proper realignment.

An area where the province can help us immediately is to make the PST exempt or at a minimum zero rate, similar to what the federal government has done with the GST. We think it would be a good faith precedent of the government of Ontario, indicating that they're prepared to work with the cities of Ontario.

There are other areas in here. We need to fix the long-term problem. We have the highest municipal taxes of any province in Canada. We need to address that. We're becoming uncompetitive. We have appreciated and continue to look forward to working with the province in the area of economic development, but we believe that some of the programs we're now delivering need to be uploaded back to the province. Included in that are social housing, public health, and social services and drug programs. Those programs, in our view, are not appropriately attached to property tax, and we think that's an area where we need further discussion with the province.

Historically, property taxes paid for services provided to property. We don't have any room to increase property taxes significantly in Ontario. Property taxes as a percentage of household income are higher in Ontario than the Canadian average. Other provinces, such as Manitoba and Alberta, allow for sharing of other taxation sources. Ontario municipalities deliver a wider variety of services to London citizens as a result of the local services realignment exercise. It's now time for all three orders of government to embrace a who-pays-for-what review to more fairly match government revenue sources to program funding responsibilities. We to put the "proper" back into property tax. The city of London provides a wide spectrum of services to London, and we are held directly and immediately accountable for effective program delivery, notwithstanding the limitations of the property tax base to fund new responsibilities and ever-increasing standards. New funding sources at the local

level are vital if we wish to promote a sustainable quality of life and prosperity for our future.

0910

There is other information that we've made available to you. Our contention is that we don't believe that municipalities are going to be sustainable in the longer term. We cannot be so uncompetitive with other municipalities south of the border or throughout Canada, and I believe this issue requires urgent attention by all parties.

For example, we've had the federal child care program. Alberta directed 100% of that financing directly to the municipalities; in Ontario, we are being required to add 20% to it. That was not what the federal government intended, and it creates burdens on the local taxpayer. That's just one example of where, over the last two years, we've seen \$13 million, or almost a 4% tax increase, at the local level because of downloaded legislated or mandated programs.

We look forward to the opportunity of working with you. We applaud your effort, Chair and committee members, to go throughout the province to talk to people like ourselves and other interested groups. Somehow we have to figure out a way to make cities sustainable. If we don't, the ramifications are as profound for you as the province as they would be for us as cities. Thank you very much.

The Chair: Do you have any further comment? You have about a minute left in your time.

Mr. Gosnell: Mr. Hopcroft will speak to this issue.

Mr. Grant Hopcroft: If I could direct you to page 10 of our brief, one of my responsibilities with the city is our industrial land development. One of the discrepancies we've seen in terms of the fairness of the tax system is that we make a tremendous investment locally, in some cases supported by provincial and federal SuperBuild funds, and we look forward to some infrastructure funding in the future. We've seen, through our industrial development strategy here in the city, growth of some 6,600 new direct and indirect jobs over the last three years. The income from that new employment is \$280 million, based on the multiplier effects we've calculated, generating some \$135 million in new taxes to the three orders of government. Of that, the municipal tax increase is only \$8 million; the balance of that is split between the federal and the provincial governments.

So when we're doing things right—when we're creating jobs, when we're strengthening our communities—we're seeing only a very small fraction of the income from our investment returned to us, and the beneficiaries of that are the federal and provincial governments. What we need in the longer term is more of that money staying in our local communities so that we can continue to make those kinds of investments and keep our economy growing.

The Chair: Thank you. This round of questioning will go to the official opposition.

Mr. John O'Toole (Durham): Thank you very much for your presentation. It's a pleasure to be here in London today on a cold, bright morning. It was an excellent presentation, I would say.

Many members of the committee on all sides have spent time at the municipal level, as I have, and are quite aware of some of the challenges that were looked at over the years under the various disentanglement, fair tax and other reports that have been done over the last decade with respect to redistribution of wealth. Pretty well everyone would understand that about 75% of your total budget is wages and benefits, and that's a variable cost, if you will, that's tied to contracts and other engagements.

You have three real points here that I think are important. We're very fortunate this morning to have the Minister of Labour, the Honourable Chris Bentley, here. I hope he is listening to your request for changes to the Arbitration Act. I can remember on council as well dealing with arbitration decisions that said, "irrespective of the community's ability to pay." The awards were never reflective of the natural costs and the incremental value of assessment or whatever your drivers were.

The other one is uploading, which has also been the subject, for the last decade, of innumerable studies. Grant Hopcroft would know most of this stuff; I think you were part of the Who Does What panel.

Mr. Colle: Yes, blame him for that.

Mr. O'Toole: I wouldn't blame him. I think he tried his very best, and he's still here trying to fix the system of inequitable distribution of income.

The third point I did hear very clearly was looking for new sources of revenue—the province and the federal government have committed the gas tax. Those would argue that in communities like mine—my riding is Durham, a growing area; I think Port Perry actually has the highest property values in Ontario. It should be, because it's a great place to live, to work and to raise your family.

If I wanted to boil this down to a question, I would say, would you like to comment, given that we've established that your budget is basically payroll and your revenue source is pretty well maxed out—in some part of your thing here, you said you're concerned about those on fixed income. I am as well.

These people, who live in the older parts of town, are often retired, their income is somewhat fixed and their assessments quite often are preferred living areas. As such, you want to comment on the arbitration, and that's because police services and other kinds of emergency services are going through the roof. We're calling for more and more service all the time, and the service level agreements that are required by provincial standard are somewhat problematic—10 and 10, and other different rules.

You might want to comment on where you'd like to see the new source of revenue come from. That's the issue. At the end of the day, if you're tied to the property tax base and your assessment base is frozen, you've maxed out all the property and growth options—

The Chair: You have about a minute left, Mr. O'Toole.

Mr. O'Toole: I'll give you a minute to respond, because you've covered a lot here. I just wanted to indicate

that we were paying attention and we're interested in any new ideas you might have.

Mr. Gosnell: The immediate thing you could do for municipalities is exempt us from provincial sales tax. That would have an impact of \$8 million on the city of London, and that would be a good-faith precedent you could recommend to the government in the budget that would go a long way to meeting a lot of our requirements.

Secondly, the whole issue of uploading: You have municipalities providing and delivering services that were never, ever intended to be on the property tax base. We need to talk about how we take those off the property tax base and deliver them in a different way. If you can do that and if we can live up to our agreements—The deal with land ambulance: We'd like you to take it back, but it was set up as 50-50. The arbitrators gave them a 30% increase in wages over two years, but the province capped its transfer payments to the city at 2%. You are now a 40% partner, not a 50% partner. That's not what was intended. That's a \$1.3-million hit on the city of London.

The third thing is that we now see regulations being prepared in-province that affect Ontario Works. You've had a committee go out across the province and talk about the need for social services. We're not disputing that changes need to be made, but those potential recommendations stand to cost the taxpayers of this city millions of new dollars every year and we've had no say in it. We have to pick up the cost.

Secondly, we pay \$17 million in management of Ontario Works. You're supposed to pay 50% of it; you're paying on \$12 million, not \$17 million. If that 50-50 was brought back in, which is the understanding of how the program works, it would mean an additional \$2.5-million transfer to the city.

So, number one, PST, and number two, programs should not be confused between the province and the federal government, especially on social services and housing. There should be the prerogative in direction of the provincial government. Other programs more directly related to property should be exclusively the jurisdiction of local government. If we can somehow get who does what straightened out, then I believe that in the longer term we will have a much more satisfied population, not just provincially at your level, but municipally at ours, and we'll have more accountability and more responsibility to the taxpayers of the province.

The Chair: Thank you for your presentation this morning.

Mr. Gosnell: Thank you, and good luck with your committee, Mr. Chair and members.

0920

GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE

The Chair: I call on the Greater Kitchener Waterloo Chamber of Commerce to come forward, please.

Good morning. You have 10 minutes for your presentation. There might be up to five minutes of questioning. I would ask you to identify yourself for the purposes of Hansard.

Mr. Todd Letts: Thank you, Mr. Chairman. My name is Todd Letts. I'm president and chief executive officer of the Greater Kitchener Waterloo Chamber of Commerce. I want to thank the committee for the opportunity to present our pre-budget submission to you today. Before you is our 2005 pre-budget submission titled *Focus on Prosperity*.

As I'm sure you're aware, the Greater Kitchener Waterloo Chamber of Commerce is Ontario's second-largest chamber. Our submission that is before you today is prepared by approximately 45 volunteers. We represent businesses that are small, medium and large, in a diversity of industries, be it auto or food, and the small mom-and-pop shops as well.

I'm going to focus on pages 12 and 13 of our submission to begin with. During times of financing deficit budgets, decision-making on budgets tends to focus on the increase of taxes or the cutting of services. We want to kick off our presentation by asking the standing committee to consider making the revenue pie bigger by focusing on initiatives to enhance prosperity. This really has been the focus of the Greater Kitchener Waterloo Chamber of Commerce and businesses in Kitchener-Waterloo for the last two and a half years. We've established a prosperity council of Waterloo region that's really focused on creating and generating community wealth.

On page 13, as part of our benchmark we reference one of the province's task forces, the Task Force on Competitiveness, Productivity and Economic Progress. In their most recent annual report they've indicated that, although we are quite competitive worldwide, when it comes to our peers in North America, Ontario ranks 13th out of 16 in terms of prosperity.

I have a question for committee members, and that is, we have a prosperity gap here of just over \$6,700 per household compared with our American counterparts. Just think what an additional \$6,700 in disposable income would mean to your family and to your constituents. It would go a long way toward mortgage payments, renovations, recreation, retirement savings etc. That's really been the focus of our efforts in Kitchener-Waterloo.

I think the most important factor is that by focusing on prosperity and creating an environment that helps businesses to create jobs, more jobs, and also attracts more investment to Ontario, it has a ripple effect right to tax revenue. Again, the estimation from your committee is that more than \$13 billion in additional tax revenue would be delivered if we addressed that prosperity gap.

What in particular are we referring to with respect to our recommendations? You'll see our recommendations are outlined in the summary from pages 4 through 10. One particular recommendation that I want to highlight is the capital tax. The capital tax is put on equipment and

new technology. Ontario is one of the few jurisdictions in North America that has a capital tax, and it really penalizes investment in productivity and innovation. If there's one thing the committee can recommend in the 2005 budget, given that there are a number of pressures on our manufacturers—the offshore competition, the border infrastructure delays, the uncertainty with respect to electricity supply etc.—the Greater Kitchener Waterloo Chamber of Commerce urges the provincial government to take a close look at the capital tax and eliminate it in this year as opposed to 2008, which is the original plan.

As well, you'll see in our recommendations that we recommend, similar to the comments of the previous delegate, the importance of municipal competitiveness. In particular, we're strong supporters of regional urban economic development and the issue of, in your most recent paper, *Places to Grow*, the importance of reurbanization and control of sprawl. We certainly encourage the province to direct provincial investment into brownfield redevelopment. I know that Minister Caplan and Minister Sorbara have indicated approval of the plans we have in Kitchener-Waterloo for investment along our central transit corridor, in our downtowns. The province can do a big part with respect to investment in brownfields.

We have one particular issue as well that I urge the committee to take a look at, and that's with respect to whether provincial legislation allows upper-tier municipalities to participate in the financing and cleanup of environmentally contaminated sites through the tax increment financing vehicles through the community improvement plans that lower-tier municipalities have. There appears to be some confusion with respect to our region of Waterloo being able to participate in such initiatives.

Lastly, as a community that benefits from having two universities and Ontario's number one college, the economic development and the economic development success of our community hinge very much on attracting and retaining skilled labour. With respect to investment in people, investment in skills training and productivity, we certainly urge the province to leverage more federal government participation in the issue of skills development. Of course, Ontario is the only province that doesn't have a labour market development agreement, and that's estimated to cost Ontario quite a bit of money that could be used for skills development. Significantly less money is spent here federally than in Quebec, for example.

Lastly, we compliment the provincial government on their review of post-secondary education: the Rae commission. We have made a separate submission on that, but increasing investment in colleges and universities to meet the national average in three years is core to our recommendations today.

Ladies and gentlemen, I want to thank you again for the opportunity to present our submission and to comment, and emphasize a couple of our recommendations in particular. It is a very challenging time for many of the businesses in Kitchener-Waterloo, as I've mentioned,

with respect to decisions they're having to make with respect to jobs either here or in other parts of the world. Investment in the border is something that's very important so that we can get goods to our US customers. We certainly want to work with the province on a number of initiatives to help Ontario's prosperity. Again, as indicated in our submission, by focusing on prosperity, everybody wins.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Michael Prue (Beaches–East York): Thank you very much. It's a very interesting submission. I have to tell you it's rather extensive. But most of it requests the government of Ontario to spend a great deal more money. As I go through it, on page 4: construction of a new Highway 7; establish a GO Transit service; invest in a central transit corridor; enhance post-secondary education; improve the Canada-US border infrastructure. Then we come to page 9, and the recommendation is that we decrease taxes. How do you possibly think that we can do all of those things with less money?

Mr. Letts: That's the interesting paradox. I appreciate the question. It's strategic investment, as well as strategic tax relief. We're in competition, as I know you're aware, Mr. Prue. Our companies are trying to attract talent from around the world. As well, we've heard most recently from our manufacturers that competition from China in particular, with their renminbi pegged to the US dollar, with government incentives to those companies there, is really causing a lot of pressure on companies to keep the jobs that we have here and to attract new talent. The only way Ontario is going to continue to compete and continue to prosper is by moving up the intelligent curve. What that means is investing in new equipment and new technology. By relieving the capital tax, for example, in this budget, that will allow more people and more companies to be able to prosper better, to hire more people and, in fact, as indicated by one of your committees there, the Institute for Competitiveness and Prosperity will have a direct impact on raising tax revenue for the province of Ontario.

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Mr. Prue: There are many who argue, and I have seen papers on it, that the capital tax—it brings in a lot of money; there's no question about that. Removing the capital tax may help some manufacturing industries, but who it helps most are the banks and the insurance companies, who are making record profits already. What do you say to that?

Mr. Letts: I think the focus really has to be on manufacturing for the 2005 year. I'll read to you the synopsis of the observations of one of our manufacturers that has been quoted quite heavily by China. He indicates that exporters—export from China would be the scenario—would for the first two years not have any corporate tax at all. The next three years would be 50%. Income taxes vary by location in China but are between 7.5% and 12%, compared to 36% here in Canada. Housing for employees is all deductible, property tax is significantly lower etc.

Faced with the competitive environment that Ontario manufacturers are placed in, it doesn't make sense to penalize them with an additional tax that's not in any other jurisdiction in Ontario, a capital tax for being more innovative and for investing in new technologies. Given the fact that in southwestern Ontario, and in particular our community, more than 24%—actually 26%—of our labour force is in manufacturing, that's where we think the focus for Ontario should be in 2005.

The Chair: Thank you for your presentation.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: I would ask the Ontario Public Service Employees Union to please come forward. Good morning. You have 10 minutes for your presentation, and there may be up to five minutes of questioning after that. I would ask you to identify yourself for the purposes of our recording Hansard, and you may begin.

Ms. Paddy Musson: Thank you very much. My name is Paddy Musson. I chair the unit within the Ontario Public Service Employees Union which represents professors, instructors, counsellors and librarians in the Ontario community college system. There are 24 community colleges. The presentation on the union as a whole will be made by Leah Casselman in Toronto. I am delighted to have the opportunity to simply come across town, as opposed to going down the 401 to make this presentation to you.

The decision to set up the Rae commission has been met with extraordinary enthusiasm amongst our members. We see that the Rae commission will really cast light on many of the issues that the colleges are facing. But the Rae commission has also raised expectations that some of the relief will come and, with that relief, it will involve greater spending. So this morning what I would like to do for you is to focus on some of the issues which we think are critically important to ensure that money spent is money well spent in terms of restoring the community college system.

The first element I would like to address is the issue of quality. In the community college system, we have seen a rather profound decline in quality, albeit a decline that has been masked. In part, we have been responsible for the invisibility of the erosion that has occurred. No one likes to talk about the fact that you're not doing as good a job as you did in the past, but we do think we really need to speak up in order to stop that erosion.

From 1987 to 2002, there has been a significant decline in the number of faculty in the community college system. By management's account, those numbers are 23%, and you wouldn't be surprised to know that we have slightly higher counts from the union perspective, as high as 30%.

As that decline occurred, the number of students increased by 43%. You might ask, "How is that possible? How could you possibly pack that many more students in

as you got rid of faculty?" Well, I would like to address that for you.

One of the things that has happened is that rather than have full-time faculty, what we've seen is the use—we believe the excessive use—of part-time faculty. When I started in the college system, part-time faculty were basically hired to provide some specialty courses. They were not relied on. In the division I teach in, which is the English/sociology/psychology area of the college, 60% of the people teaching in that area are now part-time teachers.

One of the special problems associated with that is that by Ontario legislation those individuals do not have the right to be unionized, and the consequence is that the work that has been passed on to them has been very significant. There is nothing that stops them from having three and four classes consolidated into one in order to keep costs down. If you consolidate three classes into one, your ability to grade students—give them proper feedback—gets profoundly compromised. And the system has become profoundly compromised.

Another thing that has happened in terms of quality is that we have seen a reduction in terms of the hours of teaching. That reduction has occurred in two ways. One is that where we used to offer 16 weeks of instruction a semester, that has been reduced to 14. Courses that were significantly longer—for example, I'll give you the basic English course that's offered at Fanshawe: A course that once was five hours a week is now two hours, and one hour of lab time. That so-called lab time is what we call phantom hours. What it really results in is that hours that once were homework now get put on the timetable in order to give the illusion that the instruction is taking place.

If you look at just those issues, you can see that we have a quality concern that simply must be addressed, and must be addressed in this coming budget. The consequence of the work we do has implications for the economy of the province. If we don't do a good job of training students, the results may not be felt immediately, but they certainly will be felt as the students we turn out are simply not as well prepared as they have been.

We have also cut programs and services in the college. As we have received more students who have disabilities, we have fewer counsellors in the system. As we are receiving students who are essentially a year younger than in the past and have greater needs in terms of counselling, we have fewer counsellors. As we move toward offering applied degrees, the number of librarians in the system has been cut in half, and so we do not even have the materials for students to operate autonomously in terms of getting their education by themselves, if not by us.

So we have a reduction in the teaching staff, we have a reduction in the services that are available and we also have a reduction in the support systems, the support staff that are available to make the teachers' hours effectively used.

Moving on to another issue that I want you to attend to—and I really hope that you would. That issue is

fairness. I don't think the province of Ontario should be operating a college system on the backs of people to whom they deny the right to collective bargaining. Those people are not only denied wages and benefits that are comparable; they're also denied a voice in the system. They have no ability to speak up when they see deterioration occurring within the community college system. The only fair way to treat those people is to give them the same rights as most workers in this province. That is a fact that is little known in the province. Most people are surprised to hear that the bulk of the people now teaching in community colleges do not have the right to be unionized. But that is the fact we are dealing with.

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The other area I would like to spend a few minutes speaking to you on is accessibility. There are a number of issues around accessibility, and I'm just going to touch on a few of them.

The community college system was set up to be locally based, and that in part is the reason the system was so successful. We really owe a great debt of gratitude to Bill Davis and the Conservative government when they set up this system. Unfortunately, more recent Conservative governments have allowed some of those accomplishments to be eroded. We are asking you to consider the importance of making sure the community college system remains local. The changes that occurred to governance have actually interfered with that.

The Chair: You have about a minute left in your presentation.

Ms. Musson: Thank you very much.

If that's the case, let me make my very last comment around accountability.

We have seen in the college system a decline in accountability of government monies that have come to the community colleges. I'll give you a very simple example of that. When I started at the college, if a program made a 5% or 10% contribution to overhead, it was considered to be acceptable. Now, in order to keep a program running, the expectation is that the contribution to overhead will be between 30% and 35%. So you might ask the question, why is so much going into overhead? I'll provide one example for you. In 2003, when the faculty and support staff received a wage increase of 3%, the presidents of the college received a wage increase of 16%. If you take the years prior to that, so that we don't have an anomaly here, 1999-2002, when the faculty received an increase of 10% over those three years in total, the college presidents received an increase of 37%.

We have a system that, when you provide those monies, you provide some strings to those monies to make sure those monies go into maintaining and restoring the quality of education. If the accountability is not provided, then we fear that the monies the government provides will be monies not well spent.

The Chair: Thank you. This round of questioning will go to the government.

Mr. John Wilkinson (Perth-Middlesex): Thank you so much for coming in.

Just following up on the question about accountability, the government has, or the province of Ontario has, the Provincial Auditor, but we just passed a new law to create the Auditor General. The Auditor General's function now is to be able to do value-for-money audits in sectors where provincial money is found that had never been subject to scrutiny before, and that would include universities and colleges. So is it your recommendation, then, that the Provincial Auditor would be called in to look at colleges? And specifically your question, or your concern: Is the value for money that we're receiving from management of colleges?

Ms. Musson: We see that change to be a very significant one. It will be very interesting to see how that happened and how effective it is. What we would suggest to you is that to increase the effectiveness, you need to be able to have employee groups to get some feedback to the Auditor General. One of the things we've experienced in terms of the changes around governance is that the ability—and there's a section in the paper that deals with the Carver model—of the employees of the organization to have input to the board of governors has basically declined to the point of it being considered to be a waste of energy to put your time there. I'm currently serving on the board of governors at Fanshawe College, and I have to tell you that if I were to measure my energies there and the effectiveness there, compared to anywhere else I'm spending my energies, I'd have to say that it's a bad investment of my time.

We are not able to get a voice that comes through to the board. We are not able to get the board to attend to budgeting considerations in the way they historically did. Our fear is that if the government does not set up the structure, the Auditor General will be in a difficult position of getting that information.

Mr. Wilkinson: I can assure you that I believe the Auditor General will have full scope under the legislative powers that he or she has just been recently granted to get into this.

You're suggesting, then, that the province actually mandate or tell the colleges, "You cannot use this Carver model any more for corporate governance and you need to go back to the previous system that we had"—I'm just reading your brief—and then the concerns of the employees would have a more robust voice that could not be ignored. Is that your contention?

Ms. Musson: I believe that would be true. I would also suggest to you that there was a time when the Council of Regents was a more effective body. The Council of Regents paid attention to whether or not the equity pattern that you found in a community was being reflected on the board of governors. That no longer happens. So if you were to create a body that gave advice to the government that had the voices of a variety of stakeholders, as the Council of Regents once had, then you'd have more confidence in terms of where your money is going. But you need that body that governs all of them if you're going to keep the system robust.

The Chair: Thank you for your presentation.

Ms. Musson: You're very welcome.

ONTARIO SECONDARY SCHOOL
TEACHERS' FEDERATION,
DISTRICT 11, THAMES VALLEY

The Chair: I call on the Ontario Secondary School Teachers' Federation, District 11, Thames Valley, to please come forward. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard, and you may begin.

Ms. Wendy Anes Hirschegger: My name is Wendy Anes Hirschegger. I am the president of OSSTF District 11, Thames Valley. I am pleased to be here on behalf of the Ontario Secondary School Teachers' Federation, District 11, Thames Valley, to make a presentation to the 2005 pre-budget hearings. Thank you for the opportunity. I will begin my presentation with a preamble and then make specific recommendations for your consideration.

On December 10, 2002, Dr. Mordechai Rozanski confirmed what the OSSTF had been saying for years: that the Conservative government had been underfunding education since virtually the beginning of their mandate, underfunding it so severely that it would take close to \$1.8 billion to bring it back up to merely "adequate." Dr. Rozanski's report was a vindication of our unflagging opposition to that education-unfriendly government and validation of our concerns.

Immediately, proponents of public education took up the rallying cry, "Implement Rozanski." On December 11, Dalton McGuinty, then-leader of the Liberal opposition, was perhaps the most direct and the most blunt in question period when he called then-Minister of Education Elizabeth Witmer to account: "What is most disconcerting is that this minister still refuses to acknowledge the truth: that she and her predecessors and this Premier and this government stand in the way of our children getting a quality education in Ontario. Madam Minister, just to remind you, it was you and this government who took away the English-as-a-second-language program from our kids. You took away adult education. You took away our kids' guidance counsellors, their education assistants, their psychologists, their phys.-ed. teachers, their librarians. For seven long years you have been successfully robbing our children of the quality education that we believe they are entitled to inside our public schools."

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None of these statements is in any way ambiguous. The Liberal Party stated publicly that they believed the Rozanski report and called repeatedly for its implementation. Given the tenor of Mr. McGuinty's remarks in that speech in the Legislature, we were given to assume that what the Conservative government had taken away, what they had successfully robbed from our students, would be restored by a Liberal government.

Over the remainder of the Harris-Eves government mandate, the Liberal Party, in its opposition role, continued to champion the cause of public education on this

issue. With just four days remaining in the 37th Parliament, on June 23, 2003, Gerard Kennedy was even more specific. On that day, in speaking to the Minister of Education, he said:

"I can understand why you want to avoid the direct question. In estimates committee you said there might be some more announcements in the future, because you have not committed to even one third of the Rozanski report. There is no money, beyond some small dollars for textbooks, for the foundation grant, for more teachers, for smaller class sizes—the single-largest recommendation: \$477 million. There is no money for English-as-a-second-language classes to be improved. There isn't a single dime for crumbling schools. The fact is, your own independent investigator caught you taking money away from Ontario students and demanded you put it back. But you wouldn't do it. Isn't it true that the money you're talking about is simply the money that the Premier decided would be available for education even before the Rozanski report came out? What the people, the parents and the students of Ontario want to know is, why have you failed Rozanski? Why have you failed to get the dollars that students need back into our schools?"

It is very clear that the Liberal Party knew very well what Dr. Mordechai Rozanski said in his very detailed and well-researched report, and it appeared to understand why the report recommended what it did. Indeed, the Liberal Party campaigned on an education platform, and Dalton McGuinty has repeatedly said that he wants to be known as the education Premier.

For its part, recognizing that much of the Liberal education platform Excellence for All reflected much of its own student success plan, and having monitored the performance of the Liberal Party in the Legislature closely, OSSTF felt that the Liberal Party understood the importance of adequate funding of public education.

Once the Liberal Party formed the government on October 2, 2003, OSSTF thought that, at long last, almost a year after its release, the Rozanski report would be implemented and public education would begin to be turned around by proper funding. Even when the devastating truth about the province's dire financial predicament became known, Dalton McGuinty continued to say that, even though they wouldn't be able to do everything it wanted to do for public education right away, public education would continue to be a priority.

Last year, in the 2004 pre-budget hearings, OSSTF acknowledged this and made circumspect recommendations, focusing on the aspects of the Rozanski report which are most critical for the restoration of the public education system. However, when the 2004 budget was finally presented, the implementation of the most critical and fundamental recommendation by the Rozanski report, that relating to the foundation grant, was very conspicuous by its almost complete absence.

On May 26, 2004, the government released its report *Delivering Excellence for All Ontario Students*. Appendix I of that report is very revealing in terms of how well the government is doing in terms of implementing Roz-

anski. Contrary to the government assertions, there are significant shortcomings, most specifically and most seriously in terms of the foundation grant.

As the basis for its comparison, the government has used the figures from Appendix I, Table I.1 of the Rozanski report, a chart entitled "Estimated Cost of Updating Benchmarks and Proposed New Investments - by Grant," and added an additional column entitled "Gov't Response." There it is very clear that Rozanski's number one recommendation is given very short shrift: Rozanski recommended \$477 million, but the government had only increased funding in that grant by \$22 million. Since the foundation grant "is intended to cover the components of a classroom education that are required by, and common to, all students, it allocates the same amount per student to all school boards." As such, it is the largest and most far-reaching grant which provides much of the operating budgets of district school boards and will have the greatest effect on improving the funding situation for public education.

As I mentioned earlier, Gerard Kennedy, now himself the Minister of Education, who chastised the previous government in May 2003 for inferring that it had implemented Rozanski when it had implemented less than 30% of it, now infers that the Liberal government has implemented 82% of it. A closer examination of Appendix I reveals that, in terms of the dollar figures that Rozanski recommended in 14 areas of the funding formula, the Liberal government has put in only 58%.

To be fair, the report also shows education expenditures above Rozanski's recommendations in some areas and a significantly large number in areas Rozanski never recommended at all. However, the Liberal government, which called the previous government to account for its failure to implement the recommendation related to the foundation grant, has now failed in that regard itself. Less than 5% of the funding that Rozanski recommended be added to the foundation grant has been allocated to it. To echo Gerard Kennedy's own words, I ask, "What the people, the parents and the students of Ontario want to know is, why have you failed Rozanski? Why have you failed to get the dollars that students need back into our schools?"

Hugh Mackenzie, in his October 20, 2004, report, *Are We There Yet? A Progress Report on Education Renewal in Ontario*, puts it this way: "Equally important, the recognition of cost increases for items other than salaries for 2004-05 begs the question of why the cost increases between 1997 and 2002-03—identified and measured by Rozanski—have never been captured in adjustments to the funding benchmarks."

"The implications of the failure of the funding formula to keep pace with costs are profound. At present, boards receive approximately 5.9% less under the funding formula than the actual cost they incur in employing the teachers they are legally required to provide. The shortfall in funding for teachers' salaries does not mean that teachers are paid less; it means that boards have to find money in other parts of the funding formula; it

means that fewer teachers are employed; fewer librarians are employed. Other things contemplated by the funding formula are not being done."

Let me give you some local examples of what this means. In Thames Valley, we have 30 high schools. However, at one full-time teacher-librarian per 909 full-time-equivalent students, the funding formula only generates 27.67 FTE teacher-librarians for Thames Valley. Furthermore, because only 14 high schools have 909 or more FTE students, many of our high schools have less than a full-time teacher-librarian: six have a teacher-librarian for 0.83 of the year; three have a teacher-librarian for 0.67 of the year; and one has a teacher-librarian for 0.5 of the year. In previous years, the board has allocated at least one full-time teacher-librarian to each high school, but because of increasingly inadequate funding to the foundation grant, it can no longer afford to do so. Given the fact that a well-stocked and well-staffed library is critical to literacy development and enhancement and to the education of all students, here is an example of a benchmark factor seriously in need of updating. Each high school should have a full-time teacher-librarian, regardless of size.

The Chair: You have about a minute left in your presentation.

Ms. Anes Hirschegger: OK. I'll skip to the recommendations, then. Having outlined the problems with the current situation, I will now focus on specific recommendations which the government needs to implement in order prevent the further erosion of public education, promote peace and stability and achieve its objectives as outlined in its Excellence for All platform.

(1) The Rozanski recommendations related to the foundation grant, bringing it up to date and then keeping it up to date, must be implemented immediately. In addition, government should increase funding to allow the return of staffing levels of teacher-librarians and guidance counsellors. Public education simply cannot wait any longer. It is simply not reasonable to expect schools to run smoothly without adequate personnel and resources.

(2) The education funding formula should be modified to include dedicated funding for school support staff to ensure adequate levels of staffing in school boards to meet office, clerical, technical and plant support needs of the schools.

(3) The government should adjust factors in the teacher compensation grant to assist school boards in the recruitment and retention of new teachers and restore funding for department heads in the foundation grant.

(4) The government must remove the 7.5-average credit cap from the teacher compensation grant.

(5) The Ontario government should re-establish the funding level to students over the age of 21 to the same level as high school students in regular day school.

The Chair: Thank you. I'm going to have to ask the members to read the conclusions on their own. We'll move to the questioning now. The recommendations were put on the record. The questioning will go to the official opposition.

Mr. Toby Barrett (Haldimand-Norfolk-Brant):

Thank you for that presentation for OSSTF District 11. I compliment you for monitoring Hansard. It's very important, and oftentimes people who present in the Legislature don't realize it can come back a year later or even 10 years later.

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Ms. Anes Hirschegger: I've been doing it every day since 1997.

Mr. Barrett: Good for you. I say that as a Mike Harris and Ernie Eves Conservative.

Ms. Anes Hirschegger: You're my MPP, actually. I live just outside of Brantford.

Mr. Barrett: I'm also a former member of OSSTF. As you've made clear, the Liberal Party believes the Rozanski report and called repeatedly for its legislation and that it would be restored by the Liberal government. We've had more than one presentation by OSSTF. I will point out that there were commitments made during the election campaign in 2003. In fact, not only the Liberals but also the New Democratic Party and the Conservatives made promises to revise the education funding formula and to implement key recommendations of Mordechai Rozanski.

As we approach budget day in the next few months—and I know this came up from one of your colleagues as well—do you see the budget process, the budget document, as an opportunity for this government to keep its promises?

Ms. Anes Hirschegger: Perhaps if they hadn't been put in such a severe financial difficulty by the previous government, they wouldn't have to be making these kinds of decisions. However, having said that, I think it is important that the fundamental recommendation of the Rozanski report related to the foundation grant be the one that's most seriously looked at. As I said, it does form a great part of the operating budgets of district school boards and therefore will have the most far-reaching effect on improving the situation for all school boards, and therefore for improving student learning across the province.

Mr. Barrett: Briefly, you mentioned that Thames Valley contains 30 high schools. I think you said you're over the Brant way; Grand Erie has a number of high schools. We've lost at least one high school. There are a number of high schools, certainly, in the Grand Erie board, where I represent people who are threatened with closure. I'm not up on the Thames Valley situation.

What direction or advice does OSSTF have for the ability of rural areas and small towns to look for creative or new ways of doing business, to attempt to keep a high school open in a small town?

Ms. Anes Hirschegger: There are several accommodation studies going on in the Thames Valley right now but they all relate to schools that are single-school communities, and therefore it is critical that those schools be given the capacity to stay open. I know they're looking at a number of different things creatively within our board. However, at present all of those things are also

severely underfunded, and if we're going to be looking at things like e-learning or video conferencing, they have to get full funding, as do regular credits, for those options to be considered. Right now, they don't get nearly enough funding in order to make them viable, and they cut into the complement of courses that are available now. When they're creamed off the top, that means other classes are necessarily larger.

The Chair: Thank you for your presentation.

STANLEY KORCHUK

The Chair: I would call on Stan Korchuk to please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Mr. Stanley Korchuk: I'm Stanley Korchuk. I represent really nobody specifically, although I belong to a number of organizations such as Fair Vote Canada and the Ontario Health Coalition, so I am biased in those directions, of course. I'm also a geriatric, so I have some interests in that area too, especially for my aging children.

Thank you for allowing me to appear before you. That it is an all-party committee is especially commendable. I am a retired educator. Having been a teacher of mathematics, a high school principal, a CIDA adviser in developing countries, a superintendent and director of education, and an education officer with the Ontario Ministry of Education, I know something of the inside operation and I know how you can kind of get detached from reality, as my colleagues who were still in the field used to remind me. Since retiring, I have run a private school and lectured at UWO and Trent University. Hence, I shall comment about education first.

During the previous government, conflict with teachers prevailed. It eroded their status in society and their performance. I firmly believe that. I witnessed it when I did a little supply teaching up in Gravenhurst. I am pleased that some of those fences are being mended by the current Minister of Education—perhaps not far enough. In this age of global competition and technology, Ontario's success depends primarily on the quality of its teachers, and of course on education as a whole. Of all the positions I have held, classroom teaching was the toughest. I only taught for three years, and I would never have stayed in it. It was that tough. I urge that teachers be treated with dignity and that they be properly rewarded.

Our tertiary education fees are the highest in Canada—I believe I'm right there. Cut them down, for God's sake. Quebec has done it. I understand. Nearly every other OECD country—that's the 29 richest countries in the world—has minimized financial barriers to university and college. That fine stream of youth excellence must be nurtured, not wasted by financial barriers.

When I was a hospital board trustee recently up in Bracebridge, responsible for physician recruitment, I was

just appalled at the huge debt burdens of young physicians. I ask you, why have we chosen to waste brains? Why? I'll tell you one thing as a little aside. Back in 1950, as a young, poor farm boy, I would never have acquired three degrees. I would never have acquired one.

Health care: 20,000 London citizens—I believe I'm right there—lack family doctors. That number may triple in 10 years. Then there is the growing nursing shortage. Communities across the province compete over scarce human medical resources. I was involved in that competition. "So what?" You pick it up for one community and that one loses. You don't win as a province.

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Has there ever been a human resource and industrial strategy created in Ontario? Is there a master plan? I'm not sure. I've never read of one. Maybe there is one. Maybe it's something you can answer. A lot of countries do have industrial strategies that plan all these things. Our governments, to me, appear not to know where they are going. It's a political trip without a rudder.

Some argue that, as many of the richest 29 countries do have a private component in health care, Canada too should open the door to private health care delivery. Well, we already have about 30% of health care expenditure coming out of the pockets of citizens or from supplementary insurance. There is a powerful, dominant trend to privatization. I don't agree with it. I have concluded from my research into privatization of health care and other social services that the cost increases by about 30% and the quality of service deteriorates when you privatize.

Especially regressive is the current experimenting with public-private partnerships to finance and construct hospitals and other infrastructures. In Scotland especially—I've done quite a bit of research on this—that concept has been a total failure. Service deteriorated; costs escalated. However, I understand—and correct me if I'm wrong—this government has not yet renounced the P3 concept that was initiated by the previous provincial government. I must remind the present government that, because of the first-past-the-post electoral system and the poor turnout at the last election, only one in four electors—I've done the mathematics—voted for it. When you think of that, one in four, I just don't believe this government really has the mandate to rule as a majority. I only wish we had a more representative voting system based upon proportional representation. You knew I'd get that in there.

The Chair: You have about a minute left in your presentation.

Mr. Korchuk: Thank you. But to be fair, this budget consultation allows the 75% of the people who did not vote for you to have a voice, so I like this situation. I do.

The level of justice in a society is determined by political choices. Only weak governments blame previous governments or factors that they deem inevitable. For example, our cities are being burdened with the costs of downloaded responsibilities without adequate funding by the provincial and federal governments. Look, I'm fed

up. I'm fed up with what the local property taxpayer has to pay right now, what I have to pay, because responsibilities have been downloaded but the costs have not. I resent having the equity in my house eroded by high taxes and high service costs. It's a confiscation not only of my own equity but also that of my children, who will inherit it.

I'm just about finished.

There's a gap between rich and poor that really bothers me in this province. It doesn't have to be. We don't spend any more money on social services than almost any other country in the world. Why are we complaining about extra costs? It's the structure. It's because of the way the thing is structured that the gap between rich and poor is growing. Poverty is growing. Children are without care. There are structural ways of handling this. Other countries have found it; you can find it.

The Chair: Thank you. We'll move now to questioning, and this round of questioning will go to the NDP.

Mr. Prue: Thank you very much; a most interesting presentation here.

There's a little bit of a dichotomy, and perhaps you can tell me: You advocate throughout that we need a lot more things done and you advocate, quite rightly, that in order to do those we are going to have to increase the amount of money that the Ontario government gets and spend it more wisely. But then you come to the point where you talk about your municipal taxes. You don't want to pay those or you think that paying those is going to rob you of your house. It would be possible to take the money off the municipal tax system, I believe, but you would have to increase correspondingly the monies available, either through the taxes to the Ontario government or by allowing municipalities to tax directly. Can you tell me your thoughts on that? Do you think the property tax system is unfair, and should municipalities just tax like every other government, as a percentage? They do in some countries. Some 1% or 2% or 10% is added on to the tax system and they have virtually no property taxes.

Mr. Korchuk: I have a problem with just the inequity in the way taxes are raised. Do you realize that the proportion of revenue that's raised through corporations and businesses has declined in the last 15 years, dramatically? Who bears the difference?

Mr. Prue: Ordinary people do.

Mr. Korchuk: Exactly. Really, my basic point is—and I didn't have time to say this; I've said it in here somewhere—we wouldn't be running into this problem if we had a fair and more just distribution of tax load. I don't know if that answers your question.

Mr. Prue: What you are saying, in a nutshell, is that you feel that some of the tax load is unfair on ordinary citizens and you're asking the finance committee to look at ways of increasing or better using corporate taxes to solve the social problems you have outlined.

Mr. Korchuk: That's part of it. The other part of it is that there are other sources of taxes. I think right now

we've got to look at stopping or at least slowing down environmental degradation. I call it ecocide. There have to be ways of taxing or getting revenue from abuse of our environment. I only point to north London, where I live. I can't believe the paving over of rich, productive land, gone forever under pavement. You've got to hit these people, discourage them from even putting their great, big American box stores that export our money and import their bad habits of labour relations. We've got to do something about it. So there are all kinds of revenues. There are some things about the Green Party, if you look into their platform, that I like. I really do.

Mr. O'Toole: I do too.

Mr. Korchuk: I don't know whether I answered your question.

The Chair: Thank you for your presentation.

Mr. O'Toole: The Green Party at least stands for something.

Mr. Korchuk: I agree. I joined them for a while, and then—I just can't stand joining anything.

The Chair: Order, please.

Mr. Colle: They're probably the most right-wing party we have in Ontario.

FANSHAWE COLLEGE

The Chair: I would call on Fanshawe College to come forward, please. Good morning. You have 10 minutes for your presentation. There would be perhaps up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of Hansard, and you can begin.

Mr. Bruce Smith: My name is Bruce Smith. I am chair of the board of governors of Fanshawe College. I'm joined this morning by Scott Porter, who is the vice-president of finance for the college.

I'd simply like to start by thanking the committee for the opportunity to make the presentation this morning, and most importantly to acknowledge the continued support of MPPs Matthews, Wilkinson and Barrett. I understand that Minister Bentley is here today as well. As a college, we are certainly appreciative of the time that each of you affords us in terms of advancing our issues and points of view with respect to issues of concern to the college, so my thanks this morning.

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I have a few comments that I want to share with the committee this morning, and I start by acknowledging the fact that, as the committee will know, Ontario is facing a shortage of workers that is threatening our businesses and our economy. That is not news to you, I know, as a committee. We believe, however, that Ontario colleges have one of the best, most affordable solutions to that challenge. It is not the only solution, but it is one that we can ensure will have a large impact on our workforce and on our economy. Fanshawe is here to convey the message that an investment in Ontario's colleges is a wise investment for the future of Ontario's workforce, a wise investment in its businesses and employers, and a wise investment in the future of Ontario's economy.

Before we dig into the challenges, here are just a few facts about Fanshawe College to share with you. As our local members will know, we have over 15,000 full-time students, including apprenticeship and adult training students. We have graduated almost 7,200 students in the last two years. We are currently serving over 34,000 continuing education students each and every year. We offer a full range of programs, from preparatory programs for adult learners to certificate, postgraduate, two- and three-year diplomas, apprenticeships, articulated and collaborative degrees, and applied degree programs. The college is also increasingly working with employers to offer custom training and retraining programs for their employees. This is both a source of revenue for the college and a service for our employers in the region.

It is also important to understand that Fanshawe, like other colleges, is both a destination—that is, a place where students go to train to enter the workforce—and a pathway for students who may wish to continue their education at other post-secondary institutions but who may not have been able to do that directly out of secondary school.

Now for our challenge. It begins, of course, with an economy that must compete in a rapidly changing world. As everything from service jobs to manufacturing to high-tech becomes more complex and more precise, the skills that were good enough to find work 10 years ago may no longer make the cut. HRSD Canada says that by 2007, just two years from now, 70% of all new jobs will require post-secondary education. Today, only about 50%, or just half, of 25- to 34-year-olds in Ontario have any post-secondary education.

Locally, our London Economic Development Corp. completed a survey in August 2004 of local businesses. They found that nearly 50% of our businesses reported that they were already experiencing a shortage of workers or were concerned that they may soon face a shortage in the future. I know this committee is very much aware of a survey that the Ontario Chamber of Commerce completed producing similar results.

But clearly, even with a shortage of workers, it isn't just any workers that are needed. It is trained and skilled workers, and every federal, provincial and municipal strategy is focused on attracting, training and retaining skilled workers in their respective areas of responsibility. I think this is where Fanshawe College and colleges across Ontario shine. We can provide the workers. We are poised to do that. Colleges are the best solution to keeping Ontario's businesses rolling.

What do colleges have to offer? Lots, I believe. Colleges are very accessible. Colleges offer innovative and supportive services to ensure student success. I believe we are cost-efficient. The college focuses on teaching and training and getting young people to work and older workers back to work.

And colleges such as Fanshawe are employer-focused. We have an established history of working with businesses and industries within our community to ensure that programs reflect the demands of our employers.

Colleges are able to quickly adjust programming so that it remains current, effective and representative of employer need.

Investment in colleges provides a remarkable return on investment. In London, Fanshawe College is one of the leading economic engines that help drive our region. The Fanshawe portion of a province-wide study of the economic effect of Ontario colleges shows that the two biggest investors in Fanshawe College—the Ontario taxpayer and the students who pay tuition—achieve an outstanding rate of return on their investment. The return on investment to Ontario taxpayers, who invest, of course, through provincial funding, was calculated to be 15%. That return comes in the form of increased tax revenues as graduates earn higher salaries and consequently pay more in taxes. Taxpayers recoup their full investment in a Fanshawe student in just 8.9 years. The return on investment for students who invest their time and tuition dollars—this is based on 2002 figures—at Fanshawe was approximately 9.8%. Our college president, Dr. Howard Rundle, often jokes, as I think all of us would reflect, that he wishes his investments were showing that kind of return.

What do colleges require to do the job? This is where the tough decisions start. If we can agree that colleges provide a good return on investment and are poised to make a real difference in helping solve Ontario's shortage of workers, how do we make that happen?

I've learned a lot as chair of the board of governors at Fanshawe. It is clear to me that our province has not been providing colleges with enough funding to do the job we need to do: keep up with the demand for skilled workers to support the ever-changing needs of Ontario employers. In fact, Ontario's college system has systematically been underfunded for the past 15 years. Colleges in Ontario are now the lowest-funded education system in Ontario on a per student basis when compared to school boards and universities. Ontario has the lowest-funded college system in Canada. In real dollars, per student funding to Ontario colleges has dropped almost 30% in 15 years. I believe, as chair of the board, as do my colleagues, that quite frankly, Ontario college students deserve better.

The greatest need affecting the college system and Fanshawe in general is the chronic underfunding. It certainly has left Fanshawe and other colleges struggling to cope. Our colleges don't have enough faculty and staff to meet the needs of our students. We are not able to offer all the programs that we would like to fully meet the needs of our regional employers. If we are truly to remain competitive, we also need to have funding in place to keep academic equipment and facilities up to date.

Investing in the future: If we look at the future—the future of Ontario and the future of Ontario colleges—there is great promise for success. We are confident that the Rae review on post-secondary education—and again, I will compliment, on behalf of the board, the current government's leadership in appointing Mr. Rae to make this review. It is our hope that Mr. Rae will make bold

recommendations on increasing funding for colleges, and we're hopeful that your government will take those recommendations to heart.

Fanshawe College has already shown what it can do for London's economy. With restored funding and future investment, Fanshawe and all Ontario colleges can be one of the best solutions to the challenges facing our province. Investment in Ontario colleges is a wise investment in the future of Ontario's workforce, a wise investment in its businesses and its employers, and a wise investment in the future of Ontario's economy.

Thank you very much, Mr. Chair, for the opportunity.

The Chair: Thank you. It would appear you have total recall as to how committees function.

The questioning will go to the government.

Ms. Deborah Matthews (London North Centre): Good morning. It's nice to have you here.

Mr. Smith: Thank you.

Ms. Matthews: We have the benefit of having heard from Paddy Musson earlier this morning. She raised some interesting issues. It's good to have you both here on the same morning.

First, let me commend you on your presentation. It was clear and well presented. Thank you.

I have a couple of questions I want to ask you, some of which refer back to the other presentation. The issue of full-time versus part-time faculty was raised. I would like to understand your perspective on the difference that makes for students and for quality of education.

Mr. Smith: We have approximately 800 full-time faculty at Fanshawe College. That's supplemented by part-time faculty. From a board's perspective, we certainly provide the executive limitation or direction to management to find the appropriate balance in meeting faculty need in resourcing and staffing. I think there is, quite frankly, in terms of my exposure to and experience with students, a direct relationship between their understanding and experience of quality education and full-time faculty. So I accept in part Ms. Musson's presentation. There is a relationship, but I believe at Fanshawe we've found a very good balance between the two to ensure quality of education.

1030

Ms. Matthews: I guess I'm getting to the question of, if there was more money, which is what you're asking for, where would you see the highest priorities?

Mr. Smith: I would say our highest priority is always our students. As the committee will know, the recommendation of all colleges in Ontario to the government is to increase operating funding on a per student basis, which would go directly to students, and supplement that with capital increases as well as skills development. So I think we've tried to strike a balance in terms of the need for the future, but the priority in all cases, and in particular in Fanshawe's case, will be directed toward the student.

Ms. Matthews: Are you concerned about tuition fees and their effect on accessibility?

Mr. Smith: Accessibility is a critical issue and part of our mission statement and a common issue of concern for

the board at all times. We undertake whatever we can within our powers to ensure that all students gain access to the programs they desire, within reason. Certainly, affordability is an issue. Again, should tuition fees increase, there has to be a balance between the ability to pay and accessibility. I believe at the end of the day that this is one of the issues that former Premier Rae will adequately address in his recommendations to the government.

Ms. Matthews: We're all anxiously awaiting that. Do I have time to—

The Chair: About a minute.

Ms. Matthews: OK. You talk about the increased need for better-trained workers in the future, yet I think you're talking about increasing the per student allocation. So do we need more graduates, or do we need more money for each student, or are you asking for both?

Mr. Smith: It's a combination of a variety of things. It's increased funding for students, increased investment in capital, increased investment in skills development funds. We, as a college and as a member of ACAATO, have asked for a multi-year funding commitment from the government. We understand the fiscal limitations you have in terms of making your decisions and have asked for an approximately \$300-million-plus investment in the college sector between now and fiscal year 2008. So it's a gradual investment that we're looking for but I think one that will contribute directly to employment challenges that we have in the province.

The Chair: Thank you for your presentation before the committee.

UNIVERSITY OF WESTERN ONTARIO COUNCIL OF ONTARIO UNIVERSITIES

The Chair: I would call on the University of Western Ontario to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Dr. Paul Davenport: Thank you. I'm Paul Davenport, president of the University of Western Ontario. I'm here this morning with Martin England, who is our senior officer with regard to government affairs.

It's a great pleasure to be with the committee. Thank you for the invitation. I should say right away that I'm doing double duty this morning. The Council of Ontario Universities, which represents the 18 universities in Ontario, because of scheduling difficulties was unable to make a presentation in Toronto, where they'd intended to do so, so I'm also wearing my COU hat this morning. Happily, the brief from Western and the brief from COU to the Rae commission and in other contexts have been quite consistent, so I'm very pleased to represent both my institution and all 18 Ontario universities this morning.

First of all, just a few notes on Western, and as Western's president I want to thank the London MPPs

and those from the London area who have been so supportive and taken time to come to the university and learn about our issues: Deb Matthews, Khalil Ramal, Chris Bentley, whom I saw a moment ago, Steve Peters and John Wilkinson from north of London. Thank you all for your interest and support.

We have a lot of good-news stories at Western, and I can't tell them all today, but I'll just say that we've had external accounting firms look at our contribution to the London economy. It would be well over \$1.3 billion. So we're a big player here. The rates of return to our students from their investment in education are very high. There's a big payoff from research and graduate studies at our university to the knowledge-based economy in London, Ontario and Canada. There's a high level of satisfaction among our students. You will see that among the research-intensive universities, we are consistently number one on arm's-length student surveys like that done by the Globe and Mail for the last two years and that done for the first time by Maclean's in their graduate survey. So a lot of good-news stories. We've expanded in recent years. We've gone from 25,000 students on my campus in the last six years to 33,000. That's 8,000 additional students. That's like a medium-sized university that we've added.

The trouble is that at Western, as at the other universities, our funding has not kept pace with the demand for our services, especially the number of students we've enrolled. I want to take you briefly through the solutions to the problem that the Council of Ontario Universities suggests, and I'm on page 2 of the document we gave you. They have six solutions, and I'll go through them quickly and then I'll ask for questions.

The key issue here is meeting the accessibility challenge with quality, and our top priority is to do that. We believe there's going to be a continuing strong demand for university education. We desperately need to hire more faculty and more staff members to meet that demand with quality. So that's what we're about.

If you look at the six ways to get there, we need to reform the student assistance program, make it stronger, remove some of the arbitrary barriers to access and make sure we're dealing with family income in a fair manner. Western has an idea in our reference to the Rae commission that would have us, as we get more control over our fees, making a guarantee to students when they first enter, so that you come in, your fee is a certain fee and either it's that fee for the next four years in that same program or it's linked to the cost of living, but some sort of guarantee once you're in. So there are lots of things we can do in the student aid area and the tuition area to make sure that our universities stay accessible.

The second point is a simple one: Let's fund all the students. There are thousands and thousands of students currently in the system who don't provide any funding to the institutions that teach them. We've got to fix that.

The third one is, we can no longer claim to be the best university system in the country or the best post-secondary system in the country if we're the last in terms

of operating support per student. So we're asking that over a number of years that operating support be brought to the national average.

Number 4 is a key issue for Western and many other universities. We see an extraordinary demand for increased graduate education coming out of the double cohort and coming out of the knowledge economy, coming out of Ontario business. Business wants our graduate students. They want people with masters' and Ph.D. degrees. There's an enormous and growing demand out there. We need to meet it. We want to work with the province to double our graduate enrolments over the next decade.

Rolling funds for deferred maintenance: Let's say we have \$13 billion worth of assets. Right now, we're funded to maintain them at about a half per cent of those assets. You know the industry standard would be 2% to 2.5%. Let's move up to the industry standard.

Finally, the province has made enormous investments in university research over the last decade, as has the federal government. We've got some momentum here. Let's not lose it. Research is something that requires continuity of purpose. We're in research for the long run for the citizens of Ontario. There's an enormous payoff in the knowledge-based economy but we need to continue to support our researchers.

Mr. Chairman, I'm done and I'd welcome any questions.

The Chair: Thank you very much. The questioning will go to the official opposition.

Mr. Barrett: Thank you for that presentation. On several occasions you make reference to the need for a major investment in university education, not only in Western but in other universities as well, an investment that would help secure Ontario's economic prosperity and social well-being. In fact, the previous presentation quantified much of that return on investment. They put a figure on it, for both the return on investment that would accrue to students and, secondly, the return on investment that would accrue to the other major funder, the taxpayer of Ontario.

Do you have a quantitative analysis of that?

1040

Dr. Davenport: I know best the returns to individual students, and every study in this country and south of the border shows that if you look at higher education as a whole, the highest returns are to the bachelor's degree; they are much higher than the post-secondary certificates and they lead the way. The studies in Canada tend to show the rate of return to the student at something like 12% to 15% for a first degree. It depends on what degree it is. That translates into a very high social return. I confess I don't have a study at hand, but the return to university education has been studied to death on both sides of the border. It's one of the reasons that people to the south of our border invest so much in it, because they believe in those returns and they want to see more of them.

Mr. Barrett: Further to a dollar figure, you make reference to contribution to various communities and you

use the phrase "social well-being." When I think of western Ontario—perhaps much of your original catchment area; I know you have students from all over—much of rural western Ontario isn't doing very well. We had a presentation in Sudbury from Laurentian and a motion is on the table for this committee for that particular university, or universities in general, to consider allocating more of their research in a more practical way, in more of a community development or perhaps rural development or economic development way.

To what extent is Western doing this kind of work? To what extent are the knowledge and expertise contained within your faculty and within your institution being applied in a more practical way for many sectors in our economy in this part of Ontario that aren't doing as well as others?

Dr. Davenport: Let me focus on southwestern Ontario. Some of my examples will be rural and some will simply be southwestern Ontario outside London. What are we doing? We've been the leaders in Ontario, and I would say in the country, in the delivery of rural medicine. Our faculty has put the rural medical issue right at the top of its agenda. We've got our medical trainees out there working with communities all through southwestern Ontario. As part of that, we've started delivering part of our medical degree in Windsor to make sure that the folks in Windsor and in between London and Windsor are serviced well. So that would clearly be an area where we're reaching out to rural Ontario.

If I focus on southwestern Ontario, we are big players in the research that helps the petrochemical industry in Sarnia. We've signed an agreement where we are actually running a research park in Sarnia. I'll be going down to visit it next month. We're very, very proud of that; it shows that kind of outreach. We are partnering with the University of Guelph. We don't have a faculty of agriculture at Western, but we're partnering with Guelph to work on key agricultural issues for southwestern Ontario—the rural areas, the farmers, the environmental issues. We've got an enormous research grant to develop a biotron on our campus. Guelph has similar instruments at their place that we're using jointly. So we're trying to reach out to farmers and rural agriculture through that process.

I would say that there's an enormous amount of applied research at Western because our researchers are interested in helping people. They want to see the results of their research out there and making a difference for society.

The Chair: Thank you for your presentation this morning.

ONTARIO AGENCIES SUPPORTING INDIVIDUALS WITH SPECIAL NEEDS

The Chair: I call on the Ontario Agencies Supporting Individuals with Special Needs to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning.

I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Mr. Richard Todd: Good morning, committee members. My name is Richard Todd. I'm on the board of directors of Middlesex Community Living, and a volunteer and vice-president of the organization called OASIS. On my right is John Bedell, who is the treasurer of OASIS and will be assisting in this presentation.

OASIS is pleased to have this opportunity to participate in pre-budget consultations being undertaken by the standing committee. OASIS strongly supports the initiative of the Minister of Community and Social Services to develop a new, longer-term vision for the developmental service sector. OASIS is working closely with the minister with the aim of ensuring that their initiative, transforming services in Ontario for people who have a developmental disability, is a success and results in a shared commitment to achieving a high-quality service system that is flexible and cost-effective and meets the lifelong needs of persons with developmental disabilities in Ontario.

OASIS further recognizes the fiscal restraints that the government faces, and has tailored its recommendations for the forthcoming budget accordingly. OASIS recommends that, to ensure that effective implementation of a new, longer-term vision for the developmental service sector, the government agree that a commitment to a sustained increase in funding for the sector will be necessary and will be provided in the government's long-term fiscal framework.

A little bit of background on OASIS: OASIS is a province-wide association that seeks to ensure cost-effective, high-quality supports and services for persons with developmental disabilities, and to facilitate and strengthen the operations of its members. Founded in 1996 by six non-profit organizations, OASIS's membership has grown to 101 non-profit, transfer-payment, accountable agencies located in all regions and communities of Ontario. Such agencies constitute the primary vehicle for delivering supports and services to people with developmental disabilities, and are funded in whole or in part through the Ministry of Community and Social Services.

OASIS member agencies deliver government-regulated services for individuals with developmental disabilities, primarily in the form of: (1) residential care via group homes, supervised residences or approved family-home programs; (2) supported independent living programs; (3) day programs, both life skills and workshops; and (4) supported employment programs leading to independent employment.

Estimates indicate that 3% of the population of our province suffers from a developmental disability. Such persons require a wide range of supports geared to their individual needs in order to participate in community life to the fullest extent possible. Such needs include, but are not limited to, (a) total or sophisticated medical care; (b) psychiatric care and/or behavioural supports; (c) support for physical disabilities; and (d) geriatric care.

At this point, I would like to turn the microphone over to John Bedell, our OASIS treasurer and the executive director of Community Living North Halton, to continue the presentation.

Mr. John Bedell: Just a few considerations:

The quality and strength of a society is reflected in the treatment it accords those who, through no choice or fault of their own, are the most vulnerable in the community. It's OASIS's view that Ontario can and must do better with regard to its support of these citizens.

All parties in Ontario have acknowledged that the developmental services sector is underfunded, especially when they've been in opposition. OASIS member agencies have strived to maintain reasonable service standards over the past 10 to 15 years, and they can readily attest to this reality. Funding for non-profit transfer payment agencies has, nonetheless, been constrained under successive governments, while the service delivery agencies have had to cope with absorbing continued increases in all costs, whether it's in the form of higher utility costs, labour and insurance costs, WSIB premiums, fuel costs etc. In no area have costs remained static or fallen.

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Since 1992, the consumer price index has risen by 25.7%, an average of just under 2% a year. Over the same 12-year period, the base funding for non-profit developmental service agencies has remained frozen at that 1992 level. We acknowledge the 0.5% increase in base funding announced by the Liberal government but not yet implemented, but consider this increase far from adequate to meet the accumulated actual needs of non-profit agencies. OASIS also acknowledges that some incremental funding has been provided in recent years, but such funds have been limited to offsetting wage and benefit increases and to meeting our legal pay equity obligations.

OASIS urges members of the standing committee to recognize that this situation cannot be sustained, and that continued underfunding comes at a significant cost both to the individuals and to society at large. Transfer payment agencies either have reached or are reaching their limits in terms of the types and quality of supports and services they can offer. As an aside, we're already hearing of some agencies that may not be able to participate in the deinstitutionalization process that's currently underway. Salaries remain low and uncompetitive. Staff turnover remains high. Staff-to-client ratios are approaching the minimum-level-of-care level, and further cost increases can no longer be absorbed without compromising minimum service standards.

We recommend that the members of the standing committee support the inclusion of the following recommendations in the committee report:

(1) That the budget provide funding to increase the base budgets of transfer payment agencies by 3% effective April 1, 2005, together with an undertaking to develop and introduce a formula to ensure adequate ongoing base budget and program cost funding. OASIS recommends that an indexation formula be developed

and adopted for all cost pressures that are beyond the control of the transfer payment agency, and I've listed some examples.

(2) That with respect to the income support provided through the Ontario disability support program, the budget increase the benefits provided to a minimum level at or above the announced poverty line within the province, that the benefits be subject to automatic indexation and that benefits be maintained throughout an individual's efforts to obtain employment.

(3) That the budget provide increased funding for 2005-06 and for future years to permit the developmental services sector to increase on a progressive basis, over time, the salaries of full-time front-line counsellors to levels comparable with the salaries for groups engaged in similar occupations.

Salaries for full-time front-line counsellors in a non-profit developmental services agency range from \$15.38 to \$18.75 an hour, according to a salary survey recently commissioned and that will be published by the end of January. For purposes of comparison, salaries for residential counsellors in a ministry-operated institution, with the same qualifications and doing the same work, range from \$20.45 to \$21.82 an hour, a difference of almost \$8,000 a year. That's a within-ministry comparison. Further, in June 2004 there was a survey of attendant care salaries in the Ministry of Health. It showed a range of \$17.80 to \$21.01 an hour, a difference of \$2.26, or almost \$4,700 a year. If we are to value the people we support, we have to value the staff.

On behalf of the 101 member agencies of OASIS, we thank the members of the standing committee for the opportunity to present these recommendations.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: I had an opportunity, about a week ago, to visit the Huronia Regional Centre. There were a couple of hundred people in the room, parents of children who in many cases are elderly, and of course the parents are even more elderly. Some of the parents were worried that OASIS and the sector are not in a position to take the children if in fact it is deinstitutionalized, if it's shut down. You seem to indicate this as well. Is it the reality that you could not absorb these people with extremely high needs?

Mr. Bedell: We can absorb them, provided the funding is appropriate for their needs and provided that the resources, the supports and services that surround those people—we're talking about medical, psychiatric and emotional care etc.—are also transferred into the community. If they are transferred, as the expectation will be, then, yes, we could manage to support those people. But if there are not the supports that come with the people—we're already having difficulty finding dentists and doctors for our population. If the ancillary supports do not come with those folks and there are not adequate resources, it will be a significant challenge.

Mr. Prue: You talked about percentages, but not in terms of dollar amounts. You talked about an increase of

3% in base budgets of transfer payment agencies. Would you have any idea how many millions of dollars that might be?

Mr. Bedell: As a ballpark figure, 1% is in the area of \$10 million to \$12 million. So we'd be looking at in the order of \$35 million.

Mr. Prue: Next, and I'm in total agreement with it, is ODSP support to the poverty line. Is there any indication as to how much that would cost?

Mr. Bedell: Well, my colleague across the table may have a better idea than I, but as a thought, 1% is somewhere between \$15 million and \$20 million. However, ODSP covers a wide range of people. It may not be this committee's responsibility, but at some point in time, policy people will look at people with developmental disabilities as being somewhat separate within the ODSP rules and regulations—this is lifelong, rather than temporary and in and out—so that a more meaningful, ongoing, lifelong, permanent pension scheme can be set up in the province.

Mr. Prue: In terms of wages at the bottom, some of the workers at the Huronia centre and, I understand, workers at the other two existing centres are saying that the government is attempting to shut them down because their wages are in fact too high, and that by farming it out to groups like OASIS, the intent is to take the salary from \$20 an hour down to \$15 an hour. You want to see it go the other way, of course.

Mr. Bedell: Absolutely.

Mr. Prue: What would it cost the government to realistically give these health care professionals \$20 an hour, from the current \$15? How many millions of dollars are we looking at? By the way, having seen the people at the Huronia centre, I do think they earn every single penny they make.

Mr. Bedell: Our best estimate, and that's all it is, is \$250 million. Perhaps there will be people with more knowledge and data than I have who could make a better guess, but that's our guess.

Mr. Prue: Do I still have time?

The Chair: Not really.

Mr. Prue: OK.

The Chair: Thank you very much for your presentation this morning.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

The Chair: I call on the Ontario Flue-Cured Tobacco Growers' Marketing Board to please come forward. Good morning.

Mr. Fred Neukamm: Good morning, Mr Chair.

The Chair: You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourself for the purposes of Hansard. You may begin.

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Mr. Neukamm: My name is Fred Neukamm. I'm the chairman of the Ontario Flue-Cured Tobacco Growers'

Marketing Board. With me this morning is Jason Lietaer, our general manager.

Good morning, Mr. Chairman and members of the committee. We appreciate the opportunity to appear before you today to offer our comments and suggestions as the government prepares the 2005-06 provincial budget. I would like to say, just as a reminder, that we have made presentation to this committee before, and we'd like to thank you again for the opportunity to see you today. It's my understanding that on a previous occasion this committee supported a resolution which spoke toward provincial contribution to a tobacco transition plan.

I am here in my capacity as chair of the board. We represent approximately 1,000 farm families who grow flue-cured tobacco in the province of Ontario. While 1,000 farm families may not sound like a particularly big number, we produce a crop that has a farm gate value of approximately \$200 million. We provide about 6,000 jobs that economists would refer to as full-time equivalents. In terms of the dollar value of our contribution to the Ontario economy, it is about half a billion dollars in direct, indirect and value-added economic activity. We believe that these numbers are significant, and so do the thousands of people who rely on our industry for their livelihood, not to mention various southwestern Ontario municipalities that count on us as significant contributors to their viability as sustainable communities. I would also like to remind the committee that the provincial, federal and municipal governments collect income tax and property taxes from the 6,000 people we employ.

Tobacco has been a successful crop and an economic linchpin for southwestern Ontario. However, in past years government policy has decimated our industry. Farmers are being forced out. Communities are dying. Families are being torn apart by the anxiety. In fact, I am not exaggerating when I say that we are now a community in crisis. The emotion in our community is boiling over. Our farmers are taking it out on us, their representatives, and in increasing numbers they're taking it out on government.

Here are some basic facts. In 1999 our crop size was 143 million pounds. In 2004, our crop target was 87.9 million pounds, a 38.5% decline in production within five years. Consequently, our production is declining much faster than the true declines in consumption. During the mid- to late 1990s, the gross values of our crop to producers ranged from \$309 million to \$342 million. By 2003, it had shrunk to approximately \$212 million, and this year it will only be about \$196 million. In the mid- to late 1960s, there were over 3,000 tobacco farmers actively farming in our region. As I said earlier, today there are around 1,000.

Of course the numbers, though compelling, don't paint a complete picture. The reality is that these declines have come at enormous economic and social costs to individual citizens and their families in terms of our way of life. We believe the virtual collapse of our business should be seen in the same light as other communities in

Canada that have suffered a similar fate. The collapse of the cod fishery industry and the demise of entire communities in Newfoundland comes to mind as an appropriate analogy. Through no fault of their own, Newfoundland fishermen lost their livelihoods and a way of life. Families that had flourished for generations were torn apart because young people who represented the future of small but thriving communities saw no prospect of making a go of it in their hometowns, so they moved away. Communities died.

That is exactly what is happening in the tobacco-growing counties in southwestern Ontario. Our way of life is being snuffed out. Families are suffering. Ordinary, hard-working men and women who have been proud providers for their families are now in despair. The future is bleak. In terms of impact, this calamity is no less severe and no less disastrous than what has happened to our fellow Canadians in Newfoundland.

The crisis we are facing isn't happening because of inferior farming practices on our part or because of poor management of our business affairs. Governments have waged war on the tobacco industry, and tobacco farmers are the casualties. The battles to date have resulted in increasing quantities of imported leaf and a flurry of contraband and counterfeit activity. We are experiencing an unmanageable decline in our crop size and income. In short, Ontario tobacco farmers are going broke. Our ability to service the Canadian consumer with Ontario-grown leaf is being eroded.

Despite the present environment, governments continue to use high tax policies as major tools to lessen demand for tobacco products. However, we submit that the stats on the decline of usage are misleading, as they do not take the sale and consumption of illegal products into consideration. Everyone in this room should be aware that trade in illegal tobacco products is a global phenomenon. Big bucks are being made by criminals, and those same big bucks are creating holes in government coffers and farmers' pockets.

In the late 1980s and early 1990s, governments had put similar tax policies in place. Consequently, during that period, there was rampant smuggling of tobacco products across the Canada-US border. The black market got so out of control that, in 1994, the federal and some provincial governments, including Ontario, rolled taxes back to a level that robbed the criminals of their profits and restored the legitimate marketplace.

In 1994, just prior to the tax rollbacks, combined federal and provincial taxes on a carton of cigarettes in Ontario was \$28.86. Today, the combined rate is now a whopping \$41.93, and as I said earlier, the demand for legal product is declining while demand for illegal product soars upwards. More than anyone else, tobacco farmers are paying the price.

Governments have jacked up taxes enough to still be bringing in acceptable levels of revenue. Some manufacturers are improving their bottom line by replacing our tobacco with cheaper imports that are grown under considerably less stringent guidelines than what we have

in Ontario, but the primary producers, our farmers, have no way to make up for smaller crops. Our auction is driven by supply and demand, and as I said earlier, less demand equates to less dollars for the farmer. So what is the solution to our problem?

First, we believe that Ottawa and Queen's Park should buy into the principle that so long as Canadians are consuming tobacco in this country, they should be consuming product that is grown here under our stringent guidelines. If that fundamental principle is accepted, we believe that we can sustain the farming sector for some time to come, but it also means that the excess production capacity that currently exists has to be removed so the economics of the business for remaining growers makes sense.

In May of last year, the then federal Minister of Agriculture agreed with that premise and announced a multi-pronged transition program that included about \$70 million to help eliminate excess capacity in the form of a quota buyout. He announced that this policy was designed to help exiting farmers and to help render the remainder of growers in the industry viable. We welcomed his announcement, but in order to make this policy work to its full potential, the provincial government needed to contribute its fair share.

The McGuinty government promised to help, while acknowledging that their policies were designed to reduce consumption. The Charest government in Québec has contributed dollars to a similar federal-provincial program for the Québec tobacco farmers. Unfortunately, so far, Ontario has not seen fit to join with Ottawa in helping us out of our crisis, and this has contributed to delays in the implementation of the federal portion of the program.

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The delays have exacerbated the dire circumstances that many of our farmers are facing. If you need evidence of that, all you have to do is contact the local banking community, which, while generally supportive, also needs to tend to its bottom line, and they're scrutinizing our growers very, very carefully. What is required is a measure that will assist exiting tobacco farmers to pay down their debt and make the transition to a new and productive livelihood.

Time is marching on. Nearly three years ago, when we first made this submission to both the federal and provincial governments, we had estimated that 73 million pounds of excess tobacco quota needed to be retired to bring this industry back to a sustainable level. Since that time, our crop size has eroded to the point that we would have to retire 117 million pounds of quota to meet that same goal we had laid out nearly three years ago.

This industry is deteriorating faster than we can deal with. There are two courses of action that are required: Fulfill your promise and provide immediate help to those who need to leave, and take action to sustain the industry to minimize the damage. What does that mean? Quite simply, Ontario is going to force tobacco farmers out of business long before it meets its goal of a smoke-free

Ontario if it continues down the road it is currently on. What we ask is simple: Is the Ontario government interested in having us continue to serve this marketplace? If the answer is no, then we have a very serious problem that is much bigger than the transition plan we presented nearly three years ago.

However, for the short term, the McGuinty government has committed to provide funding for tobacco farmers being forced out of business. The time to fulfill that commitment is long overdue. The time is now. But further to the immediate, a long-term strategy for our sector that all stakeholders can agree to must be pursued.

In summary, we are being forced by government policies to deal with these issues as crisis management. We need immediate help, and we need a long-term strategy. Thank you.

The Chair: The questioning in this rotation will go to the government.

Mrs. Carol Mitchell (Huron-Bruce): Thank you very much for making a presentation today, and to all of the people who have come with you today. It certainly illustrates how important this is to your communities.

My question is, what recommendation would you make to the Minister of Finance, through this committee, to ensure that the legal product of tobacco that is sold within the province—what can the minister do to ensure that it is the legal product?

Mr. Neukamm: On that point, obviously there are no restrictions on the importation of tobacco into this country that we are aware of. Certainly from that point of view, we do not believe it is in anyone's interest to have cheap imported leaf replacing domestic production. It means the exportation of jobs and, quite frankly, we do not believe that cheap imported tobacco is in keeping with the government's policy of reducing smoking.

The reasons for imported tobacco are many. Manufacturers see this as a means of competing with the illegal product and as a means of propping up their own profits. It comes at great expense to the Ontario grower.

Mr. Jason Lietaer: Can I add to that? We met with finance officials. We meet with them all the time. We met with them recently, and they openly admitted to us—I'm sure they won't admit it in public—that they're at the law of diminishing returns on taxes. They don't think that increasing tobacco taxes is more of a generation measure as much as a health measure. We called for a freeze on tobacco taxes long ago. We continue to call for that. We believe that increasing tobacco taxes is driving the market underground.

Mrs. Mitchell: So if we look to the restriction on importation, could you give me a percentage of how you feel that would affect the tobacco grown in Ontario, just so I can get a sense of it?

Mr. Neukamm: It would be very difficult to answer that question on a percentage basis. What we do know is that, by and large, the illegal marketplace is not being served with Ontario tobacco. Counterfeit cigarettes that come into our port cities are coming from abroad, with zero Canadian content. We know that, by and large, a lot

of the small regional manufacturers are using nearly 100% imported tobacco. One of our major manufacturers has certainly deviated from their traditional Canadian content and very rapidly escalated their inclusion of imported tobacco as a means of competing with both legitimate discount cigarettes and as their own measure of competing with the black market.

Mr. Wilkinson: Thank you for coming to see us, Fred and Jason. I do commend you because you've come to see us. I know we met at Queen's Park when you were speaking to our rural caucus. You're doing a great job advocating for your group, because you present such great arguments that are well thought out, and we appreciate that.

Our job is to advise the Minister of Finance about this idea of the increasing prevalence of illegal cigarettes, where there are no taxes to anybody. Can you help me, as we talk to Minister Sorbara about this, on just how big this issue is and how much money is being left on the table with this problem? That's what pays for hospitals and schools.

Mr. Lietaer: It's hard to put a quantification on it. Obviously, you realize that. Is it 5%, 10%, 15% of the market? The companies believe it is. The manufacturers have better numbers and estimates on what percentage of the market it is than we do, so you can take advice from the manufacturers. What we've been advocating to Minister Sorbara and his staff is that they take the advice of their officials in law enforcement. We know that the RCMP are giving them good advice. The RCMP has excellent information on this. They've got models that you and I wouldn't have access to. They have excellent models.

As I said, I think the finance officials we're talking to are starting to realize that we may be at the law of diminishing returns on tax increases and it's pushing it underground. Is it 5%, 10%, 15%? We don't know, but we know there are people who have pretty good guesses, and we know they're starting to get concerned, because we're hearing a lot from the RCMP. We hear from the RCMP almost on a daily basis in our office.

The Chair: Thank you for your presentation this morning.

Mr. Barrett: On a point of order, Mr. Chair: I've just briefly discussed this with the clerk. Given that last year this standing committee on finance unanimously voted in favour of a motion in support of the Liberal commitment of \$50 million in compensation to tobacco—and on behalf of the 80 or 90 farmers here this morning, I do say thank you to the NDP, Liberal and PC members—I wish to make the identical motion. I've just discussed this with the clerk, and I realize the technicalities of being able to pull up that identical motion at short notice. I ask for advice from the Chair or from the clerk. I am certainly willing to present a newly worded motion.

The Chair: Might I suggest that research could find that motion, present it to all members of the committee and deem it to be discussed at the report writing stage.

Mr. O'Toole: If I may clarify, Chair—and thank you, to the deputants, for your presence here this morning.

The Chair: To the motion?

Mr. O'Toole: I know that Minister Smitherman's intentions here—

The Chair: Mr. O'Toole, we're discussing this—

Mr. O'Toole: If he had his way, he would actually ban smoking in your own home. So you're dealing with a government that has an agenda—

The Chair: Mr. O'Toole, come to order.

Thank you very much for your presentation.

Mr. Barrett: Mr. Chair, further to my point of order: I do wish to present a motion. I feel there is adequate wording in the presentation from the Ontario Flue-Cured Tobacco Growers' Marketing Board. Could I read this into the record, ever bearing in mind that we have a previous motion from last year?

The Chair: You can read that.

Mr. Barrett: Thank you, Chair. In fact, my wording is found on the final page of the brief from the tobacco board, with some minor word changes at the top, for the purposes of Hansard.

"Given that the tobacco industry is deteriorating faster than farmers can deal with, there are two courses of action that are required: Fulfill the Liberal promise and provide immediate help to those who need to leave, and take action to sustain the industry to minimize the damage."

If that's in order, that would be my motion, Chair, and I understand we will be dealing with this at a later date.

1120

The Chair: You have the right to put that forward, and we would discuss it at report writing time.

For the committee, the recommendation approved by the standing committee on finance and economic affairs last year was that "the government keep its promise to establish a community transition fund to help farmers move away from growing tobacco and announce specific funding levels." You may want to discuss both of those at report writing time.

Mr. Barrett: I would like to discuss both of those motions.

Mr. Colle: On a point of order, Mr. Chair: I would like research to give a report to the committee on the point raised by the deputants on the increasing quantities of imported leaf, how that is affecting the tobacco industry and tobacco farmers in Ontario and what, if any, measures the provincial government might take to deal with the issue of the increasing amount of imported leaf.

The Chair: Research has your question.

Thank you for your submission this morning.

Mr. Neukamm: Thank you very much for having us here today, and thank you for your consideration of our issues.

LONDON HEALTH COALITION

The Chair: I call on the London Health Coalition to please come forward.

Interruption.

The Chair: Order at the table, please.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to state your name for the purposes of Hansard. We will pause a moment, perhaps, so that we can hear your presentation.

Would you try to begin. If it gets quite loud, we'll pause.

Mr. Peter Bergmanis: My name is Peter Bergmanis, co-chair of the London Health Coalition, a broad-based organization in support of publicly funded medicare. My co-chair with me today is—

Interruption.

The Chair: Could I have quiet in the room, please. We have a presentation being made. Thank you.

Mr. Bergmanis: My co-chair with me today is Mr. Roland Parris.

As Ontario embarks upon the current budgeting process, it is necessary to understand that the province is not suffering so much from an excess of expenditure as it is from a diminishment of revenue. In its 2004-05 budget and November 2004 economic statement, the government has projected that the only way to balance the budget by 2007-08 is to curtail program spending and refrain from implementing key election promises for renewal of services. Research conducted by the Canadian Centre for Policy Alternatives reveals that while such projections may serve to dampen public expectations, they are in truth quite misleading. There is far more fiscal flexibility within the government's capability than the announced fiscal plan suggests.

Contrary to claims that the government is struggling to meet a 2004-05 budget forecast of a \$2.1-billion deficit, Canadian Centre for Policy Alternatives research associate Hugh Mackenzie contends that Ontario is actually headed for a very modest deficit this year, and that if more realistic assumptions about revenue, federal government transfers and debt servicing costs were applied, the province could even be in a surplus situation.

To redress this more optimistic view of the province's finances, Mackenzie draws upon an in-depth analysis of the government's November 2004 economic statement. The following insights are revealed:

(1) An alternative projection of government revenues utilizing current consensus economic growth of nearly 2% would result in \$1 billion more flowing into government coffers than the amount of revenue currently forecast. An underestimation of revenue for 2004-05, in turn, affects base revenue for each fiscal year thereafter, compounding the misleading numbers.

(2) By maintaining over \$2 billion in contingency and reserve funds when total actual drawdown of these funds in the first six months of 2004 was only \$24 million, the government is seriously overstating its expenditures for 2004-05.

(3) Debt servicing costs have been substantially overestimated. This is despite the fact that current government borrowing rates are below the current average debt servicing cost and that a substantial amount of debt is due to be refinanced at lower interest rates over the next four years.

(4) An extremely limited and unambitious spending program has been implemented. In what Mackenzie describes as a "consolidation of the reduced role for the public sector," the government capitalizes on an unsubstantiated presumption of an over \$1-billion shortfall in transfer payments from the federal government—this would be in 2006-07, and again in 2007-08—so as to rationalize near-anemic growth in program spending. Overall, spending, as a share of gross domestic product, drops in each year, from a high of 13.5% this year to a low of 12.2% in 2007-08. Of course, as funding to less high-profile social programs diminishes, health care becomes lionized for eating up an ever-increasing share of the provincial budget.

(5) Compounding the bleak fiscal forecast, the government's budgetary reserve has also been inexplicably increased by \$500 million for fiscal years after 2004-05, thereby projecting a false image of reduced fiscal capacity.

I contend that Ontario is not facing an unmanageable financial problem. In light of London's hospitals facing a \$90-million funding crunch, the London Health Coalition contends that the provincial funding crisis is largely self-inflicted and needlessly disruptive. Health care can be preserved without the need to resort to regressive revenue-generating gimmicks like the health premium, or by delisting services. Such contingencies merely serve to redistribute resources away from the least affluent and compromise the public health principles of universality and accessibility.

The London Health Coalition concurs in Mackenzie's alternative budget recommendations, which offer increased revenue streams to enhance public services. These streams would include tax loopholes being constricted. Unfair, poorly targeted and ineffective tax loopholes are estimated to cost the people of Ontario over \$1 billion in forgone revenue. By simply harmonizing the provisions of Ontario corporate income tax with those of federal corporate income tax, the province could theoretically realize an additional \$800 million in revenue.

The most expensive loopholes in Ontario's tax system are the various exemptions from the employer health tax. Exemptions, such as for the first \$400,000 in payroll or for income from stock options, undermine the intent of the EHT, which was conceived as the contribution expected of employers in return for the substantial competitive benefit they receive from the existence of public medicare. To maintain such unjustifiable exemptions is a stinging rebuke to the largely lower- and middle-income taxpayers of the province forced to pay Ontario's health premium. Simply by transforming the employer health tax into a flat tax on all payrolls, Ontario could potentially generate additional revenue of \$1.1 billion annually. Furthermore, Mackenzie estimates that tightening up lax tax enforcement could potentially generate an additional \$400 million per year.

The Canadian Centre for Policy Alternatives also identifies areas where modest tax rate adjustments could be made to the benefit of the public good. For instance,

the Ontario government has the ability to restore lost fiscal capacity by paralleling the federal personal income tax system's step-up in rates for incomes over \$100,000. Each increase in rates of 1% above the current top marginal rate for income over \$100,000 could potentially increase fiscal capacity by \$600 million.

Secondly, Ontario's current corporate tax rates are below those of comparable jurisdictions in the United States. By voluntarily withdrawing from this insane race to the bottom and restoring corporate tax rates to their 2000 levels, Ontario would regain approximately \$2 billion in additional revenue.

What does enhanced government capacity mean for health care? It means that the government has the choice to infuse the resources-starved public health care system with much-needed funding instead of engaging in political brinkmanship with health care workers and the Ontario Hospital Association; that patients can enjoy quality patient-focused care instead of distorted budget-focused care; that the true cost drivers of health care expenses, such as pricey pharmaceuticals and the involvement of the for-profit industry, are addressed rather than pointing the finger of blame at health care worker wages.

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This government, armed with the true picture of its fiscal capacity, has clear choices it can make. It is the sincere desire of the London Health Coalition that Queen's Park prove to the people of Ontario that the government possesses the will to make the right choices. I thank the committee for its time.

The Chair: Thank you very much. The questioning in this rotation will go to Mr. O'Toole.

Mr. O'Toole: Thank you very much for your presentation. We have heard on the issue of health care from pretty well every location that we've been to so far. I should assure you that some of their concerns have been heard. They really do affect what I'd call patient service.

I'm going to make a couple of statements and give you a little bit of time at the end to respond. Basically, we've heard right from the beginning, there's about a \$600-million to \$800-million annual operating shortfall at the hospitals. Hilary Short made that infinitely clear. Each of the communities, including London, have been kind of shackled, and the boards of directors of the hospitals, etc., have been more or less muzzled, I would say, by George Smitherman, the minister, under threat that he won't help out with their deficits.

How does that play out? We've heard from London some time ago that there will be cuts to staff and services. We heard it in London; we've also heard it in Ottawa. Last week, when questioned, the Ottawa Hospital, one of the hospitals there, said that they had a \$10-million operating deficit and that they were going to have to eliminate 300 positions and a number of services—this for a government that said health care was number one, this for a government that raised the new health tax, the premium, \$2.5 billion, plus over a billion dollars from the federal government, about \$3 billion.

There's more money coming in ostensibly for health care, and yet we've got fewer doctors, they're laying off nurses, fewer services, and the community of health is in crisis.

Hugh Mackenzie—I know him very well; I may not agree with some of the things he says, but he's a bright guy, nonetheless. I was optimistic this morning. The snowplow woke me up at 6, which is fine; I understand that, but I will speak to the hotel administration on that one. On CBC this morning I heard one of the announcers say that Premier McGuinty was going to blink, and that George Smitherman and the OHA had come to some kind of secret deal, an agreement: one-time funding. They won't tell us the number. How much more money? I think it's in the order of \$150 million.

Interjection.

The Chair: Order.

Mr. O'Toole: I think we'll all be disappointed. I honestly do think it's one-time funding. They aren't dealing with the structural deficits within hospitals, and this means cuts to staff and cuts to services. Many of the suggestions made by Hugh Mackenzie, and that you have made on behalf of Hugh, need to be heard by the government. There are a couple of them here that I would completely disagree with. The employer health tax and small employers under \$400,000 in payroll: You're talking about small business.

The Chair: There are only two minutes left.

Mr. O'Toole: Two minutes? Well, I'll leave them one of them.

Mr. Roland Parris: Could I just interject? My understanding is that we had a five-minute Q&A period here, and I think we've been listening to something for three minutes, which I find—

Mr. O'Toole: Well, I listened—

Mr. Parris: Mr. O'Toole, I think—

The Chair: Sir, he can use four minutes and 59 seconds to put his question.

Mr. O'Toole: I was going to leave you part of the time, but you're kind of wasting it here. Anyway, I will give you the chance to respond now. What do you present to the government members in terms of what they can do to help out the health problems in this province? They're catastrophic. What is the single thing you recommend? Is it the employer health tax, or what is it?

Mr. Parris: I think we recommend the whole brief, otherwise we wouldn't have written it, because there isn't any point. There's an alternative method of doing it. My opinion, if you ask me, sir, is that the Liberals here have borrowed from their federal governments, and what they're doing is adopting a policy of lowballing budgets and deficits and stuff like that. I think there's more money there, and I believe this. I think there's a case to be made for these taxes and the approach that's going to go on. You wouldn't take that approach, because obviously you've got business people on your side, but we're looking at the larger picture.

I would hope that most small business people and business people would understand that the health of their

employees and a public health care system is actually a cheaper method for them to go. As a matter of fact, we advertise that when we go to the States, for industries to come to Canada because we have a cheaper system and it's much cheaper than in the States. I mean, you can't have it both ways. It's either going to be cheaper here and you're going to pay the costs here for that cheaper medicare, or you're going to go to a private system which costs you astronomically, and your employees don't have any benefits. That would be my response on that issue.

The Chair: Thank you for your presentation this morning.

Mr. Bergmanis: Thank you so much.

Mr. Colle: Point of order, Mr. Chair: Just on the presenters' last point and on Mr. O'Toole's question too, there was a report, I think by General Motors out of Detroit—

The Chair: That's not a point of order.

Mr. Colle: Well, this is not a point of order; it's a request for research based on the presentation, in which it was noted that the cost to General Motors for providing health care has now superseded the cost of the purchase of raw steel for the manufacturing of their automobiles. Whereas health care costs have surpassed the cost of the raw materials, could we try and find out the details of that announcement out of Detroit in terms of the health care costs for employees, for General Motors workers, as opposed to the cost of purchasing the raw materials for automobile manufacturing?

The Chair: Research will try to meet your request.

ONTARIO HOMES FOR SPECIAL NEEDS ASSOCIATION

The Chair: I call on the Ontario Homes for Special Needs Association to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning following that. If you would state your name for the purposes of our recording Hansard, you can begin.

Mr. Willem Bijl: Good morning, ladies and gentlemen, honourable members. I'd like to thank the Chair for allowing me to make my presentation this morning. My name is Willem Bijl. I'm the vice-president and a member of the board of directors for the Ontario Homes for Special Needs Association.

Who we are: We are an association comprising homes for special care, domiciliary hostels, approved homes and Habitat homes. There are approximately 500 facilities in Ontario, with over 6,000 residents, in this sector. We serve residents with mental and physical limitations, the frail elderly, the homeless or those who are at risk of being homeless and who can't go to any other institution. We represent residential care facilities where our clients are subsidized to reside with us so that we may provide the accommodations, care and meals that they require.

We are a cost-effective alternative to hospital beds at an average, in 2003, of \$650 per day, or nursing home beds at an average of \$120 per day, or jails at \$140 a day,

or being homeless and on the street. Our maximum per diem revenue is now \$41.20, as per the directive from the Minister of Social Services effective July 1, 2004.

What services do we provide for \$41.20 per day? We provide comfortable and secure accommodations to residents 24 hours a day; three meals a day and snacks throughout the day; medication supervision and handling by qualified nursing staff; recreation, laundry, house-keeping, doctors' appointments and transportation to appointments; from time to time, case management and counselling. We are, most of the time, the family liaison. We provide the handling of residents' trust funds monthly, which mostly refers to the personal needs allowance. Annually, we do the income tax preparation, without which they would be cut off from their government benefits. We provide personal hygiene supplies, as most of them are incapable of doing their shopping; assistance with daily living activities like bathing, dressing etc. Sometimes we mediate disputes among roommates who do not always understand the consequences of their actions.

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What are our challenges? Inadequate financial resources: a maximum \$41.20 per day from all sources for all our services. We must compete with hospitals and long-term-care facilities to attract nurses and other qualified staff. We are governed by two ministries with different standards and parameters. We must cater to municipalities' standards, which vary across the province. As owners, we can't obtain CMHC insurance, as it considers our programs to be discretionary funding by the province. For domiciliary hostels, it's discretionary funding, hence we do not know from year to year whether we would even get the \$41.20 per day. Municipalities may decline to participate in the program, hence no provincial funding either, as it's on the basis of an 80-20 split, 80% by the province and 20% by the participating municipalities. Lately, accelerated increases in insurance rates, energy costs, property taxes, food costs etc. have put this industry sector in jeopardy. Costs incurred to ensure that we meet the changes in the fire code and labour and health and safety issues become increasingly difficult to support.

OHSNA recommendations are:

- That governments need to recognize the very essential services that we provide to protect our clients;
 - That the per diem be increased to \$51;
 - That uniform standards be developed across Ontario and implemented;
 - That the scattered program be put under one ministry;
 - That the funding of this program be a line item in the ministry's annual estimates;
 - That, hopefully, OHSNA will be consulted in the development of those standards;
 - That the development of a full program be implemented, or one municipality be chosen as a pilot project.
- In that case, I strongly recommend Windsor.

Thank you.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: Thank you very much. It appears, from fast mathematics, that the increase in the per diem from \$41.20 to \$51, a \$9.80 increase, is just a little bit less than a 25% budget increase. That is what you're asking for in a nutshell, I take it: a 25% budget increase for this particular line item.

Mr. Bijl: Yes, it would be.

Mr. Prue: All right. Now, having said that, what is the true cost across Ontario—I know what it is in Toronto, and I'm from Toronto—for the per diem to keep someone in one of the homes or provide the services that you provide? What does it actually cost? It's not \$41. It's a lot more than that.

Mr. Bijl: If you just compare it with the next step up, a long-term-care facility, the basic accommodation—

Mr. Prue: I'm not asking that question. What I'm asking is, how much does it cost you to provide this service?

Mr. Bijl: Well, most of our facilities are for-profit but you might as well say we are for-loss, because most of us are at the moment operating with losses, not with profits. For instance, insurance costs have gone up sometimes 200% or 300%. Food costs just last year went up by 5%. Property taxes have gone up. You know that. Energy costs have gone up and will go up substantially more. New regulations come into play. A number of us work with unions. For myself, I own a property in Windsor. I have the CAW. As a matter of fact, I have a letter here from the CAW stating that they cannot understand how we could possibly function. It took me a year and a half to finally have my union contract with them. As a result of this discussion and negotiation, I now finally have agreement by CAW, specifically their health care division of about 20,000 members, that they are going to work with our association—in the letter it states, if I may quote, "... please be advised that we will seek opportunity to work co-operatively with you in raising government and public awareness of the funding" problems.

Mr. Prue: The municipalities and some of the church and social groups that run homes for the homeless and similar types of care that you provide estimate that the cost in Toronto is around \$60 a day.

Mr. Bijl: That's correct, \$55 to \$60 a day.

Mr. Prue: You say that you could make a profit at \$51. How is that?

Mr. Bijl: We have been saying now for the last two years that we would like to see the per diem increased to \$51 and that we believe, with the existing standards that are in place—we have our own standards; OHSNA has its own standards. I'm talking about, for instance, Windsor. With the standards as per the bylaw, we can make this work.

Mr. Prue: Are your standards less than or different from municipally run standards?

Mr. Bijl: No, they are the same.

Mr. Prue: And yet their costs are more.

Mr. Bijl: We believe we can run this type of operation for \$51. We have been saying this for the last year and a half to two years. We've had meetings with Mr. Sorbara, we have had meetings with the Ministry of Health, because the homes for special care reside under the Ministry of Health, and we have had meetings with the Minister of Social Services.

The Chair: Thank you for your presentation this morning.

ONTARIO FEDERATION OF AGRICULTURE

The Chair: I call on the Ontario Federation of Agriculture to please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Mr. Paul Mistelet: My name is Paul Mistelet. I'm the vice-president of the Ontario Federation of Agriculture. Committee members, fellow farmers, I certainly appreciate the opportunity to present to you at these pre-budget consultations. I do have to express some dismay at the unfortunately short turnaround time to prepare for this. I thank those who worked hard on OFA's behalf in order to get us standing before this committee.

Today I am available to deliver comments and respond to questions from all of you. The OFA will be submitting a written pre-budget document to you by your deadline of January 20, 2005.

OFA reviewed our presentation from last year and has found that some of the fundamental messages and issues we presented are still outstanding. You are political representatives. Some of your constituents are rural; some are urban. All of your constituents eat, and there is a handful of your constituents who actually grow the food and fibre required for a healthy agricultural industry in our province. The health, environment and general well-being of that handful of farmers, working on your behalf and on behalf of your constituents, is at its worst in history.

I am using this platform today to deliver a caution to all of you. Ontario farmers are facing a financial crisis. If we are not profitable, you will lose the vitality of small towns and villages in this province. You will experience joblessness in your urban processing facilities. You will lose the potential of one of the largest economic engines in Ontario.

The OFA is the largest collective group of farmers in Canada. Our president and executive members have spent the last several weeks meeting with our members across Ontario and meeting with our commodity group members. We are getting a very clear and distinct message: The current farm income situation is undermining confidence in our industry, and an increasingly costly and cumbersome regulatory framework is undermining our ability to compete globally.

The Premier of Ontario heard from many farmers regarding the state of Ontario agriculture at his agri-

industry summit in December 2004. He heard that costs and demands placed upon farmers are increasing. There are increased regulations and management systems to comply with that cost money and time. Program initiatives of the McGuinty government are being proposed and implemented without consideration of the impact on the business of farming. Small business operations are facing tremendous pressure to expand due to poor margins. Consumers are insisting on low prices and high quality, but farmers ultimately bear the burden as they have little control over the price of their products. Farmers are price takers, not price setters. The benefits of agriculture to the environment, the economy and to the rural landscape are not being quantified or considered.

A lot of talk at that summit was about the future of the industry in Ontario. OFA is supportive of those kinds of discussions. However, building an industry has to start on solid footing, just like any structure. One look at the business of primary production in this province will give you a clear sense that the erosion will make it impossible to create a solid future.

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Farmers across Ontario have, over the past year, continued to work hard and still have found themselves in dire situations due to BSE, the high Canadian dollar, collapsing commodity prices and escalating demands for regulatory compliance. Farmers are in exceptional times and in exceptional circumstances. This legislature must show leadership on agricultural issues.

On top of adhering to best management practices and environmental initiatives, farmers now find themselves with a lack of government services, which add to their costs. Over the years, successive governments have undermined the investment in the agriculture industry. Program cuts, service cuts and the increase and expansion of user fees across government has OFA's service and advocacy work on behalf of farmers and their families stretched to the limit. Our offices are getting many desperate calls from very desperate farm families. Many of these calls are from the tobacco industry.

The OFA, in conjunction with commodity partners, is still finalizing the financial request that we would ask the government to consider in this year's budget, but it is sufficient to say at this point that the farm income crisis will be at the forefront.

There are things governments can do that do not cost money but are just as important to the farm community. I am speaking about taking a sensible approach to regulation and policy development. Timing of implementation and overall costs must be considered. If governments are moving ahead with an agenda that has a public benefit focus, they must be sure that farmers do not bear the costs alone.

There are a number of examples. The very farmers who proposed the Nutrient Management Act as an environmental and efficient contribution to Ontario's environment and economy are now telling us that the uncertainty in the marketplace is driving a need to delay compliance. In light of the uncertain future faced by our

livestock industry, their inability to sell their herds and their inability to invest in future operations, we ask the government to keep their promise to get nutrient management right, take the advice of their own advisory committee and ensure that the principles endorsed by the Ontario Farm Environmental Coalition are followed. The timing of the government's regulatory framework could not be worse for an industry that has no money.

Farmers have watched the introduction and protection of new wildlife species without consideration for collateral damage. Fruit trees, grains and sometimes even the farm animals have become free food for a burgeoning wildlife population.

Farmers who were assured a capped rate on electricity costs, whether they agreed with them or not, used that assurance to sign long-term contracts for their products. Now their cost of production will increase and the farmer suffers the loss.

We have been told recently that we must now pay registration costs for our permits to take water—water that is vital to the growing of crops that eventually end up on your consumers' dinner plate.

Ontario farmers need a champion. They need their government to be their champion. They need all of you to champion their causes and their needs to continue in the business of farming. The Ontario government has stated that legislation creating the greenbelt seeks to protect farmland. This legislation has become a focal point for two larger issues: What is government's responsibility to people affected by government policy, and how is the viability of farms in this province going to be preserved?

The OFA knows that farmland in Ontario will not be protected unless the business of farming in Ontario is protected. That is why today OFA is once again calling upon the Ontario government to strike a task force on the viability of agriculture in Ontario. This task force was recommended by the government's own task force on the greenbelt proposal in May 2004, when they recognized that Ontario farmers' business viability issues were not going to be addressed by saving farmland alone.

It would be useful for this committee to show their support for this request, along with each of the elected members of your respective caucuses. It is time for elected members of the Legislature to focus on one of the most important sectors of the economy and demonstrate their support for farmers and the businesses they run by implementing this task force. This request is in line with these pre-budget consultations. It is asking for an end to the economic cruelty being wrought upon farmers.

As mentioned earlier, we are still finalizing specific requests. That document will be tabled before the deadline this Thursday. Please give it your urgent attention.

The Chair: Thank you. When you do put your written submission to the clerk, all members of the committee will get a copy of that.

Mr. Misteale: That's correct.

The Chair: Now go to the government.

Mrs. Mitchell: Thank you, Paul, for your presentation. I look forward to your written presentation.

Obviously the economic viability of the agricultural community is what we'll support in the long run, no matter what the regulation standards are. We certainly agree on that. But you're talking about striking a task force, and that was one of the recommendations that came forward from the greenbelt legislation.

We also have agreed—and I'm going to say in principle—from the Premier's summit that we form a committee to look at agriculture in the future. How do you see the two going forward—because we don't need to have opposing committees, task forces—so that we move in a constant pattern, so that we clearly understand from each branch—

Mr. Misteale: I think I understand your question.

Mrs. Mitchell: You know what I'm saying, Paul, because—been there; we don't want to do that again. The economic viability of the agricultural community, as you know, is something that is number one, certainly in my riding. So explain to me how you see this moving forward.

Mr. Misteale: OK. Thank you for the question. I'd say "Carol," but I probably shouldn't be so cavalier. Is it OK?

Interjection.

Mr. Misteale: OK. Thanks for that.

Anyway, I think that what we're asking on the striking of this recent task force is the urgency. I think we want to understand the urgency of the situation right now.

The committee or task force that was discussed at the Premier's round table was more, as you say, on the future of agriculture and the good things that we can do with some of our crops, and maybe the development of other crops, hemp or what not, that could certainly help the economic bottom line out there and the environment. But we feel that that will take too short a view. We want a broader view in a quicker time frame. We needed it yesterday, really, in all honesty. I don't have to tell you the dire straits that are out there right now and the unrest that we're seeing. People want to make sure that they're having a very hard look—your constituents are having a very hard look at their incomes and their situations, in a quick and timely manner. I think that would be the difference.

Mrs. Mitchell: I'm going to share the time with John.

Mr. Wilkinson: It's good to see you again, Paul. Thanks for coming, and we look forward to the written brief.

I guess my concern is it is so, as you were discussing, kind of historically perverse that nutrient management was really started from the grassroots up by farmers to make sure—and in Huron county, I might add, for the member from Huron—Bruce—that we can't have municipalities deciding who can farm. Farmers need to be able to decide that.

But I was wondering, because we'll be introducing source water protection, if you could also touch on that. That's just another issue that, as you and I both know, is coming up. Part of the delay has to do with the fact that source water protection should be out first so that farmers

don't do something other than nutrient management and then find out it wasn't sufficient in regard to source water. Nobody is more aware of the need to protect water than farmers, that's for sure, but I'd be interested in trying to get the position of the OFA on that right now. That would be very helpful for me.

Mr. Mistele: As you know, the Ontario Federation of Agriculture is part of the Ontario Farm Environmental Coalition, the steering committee. In recent weeks, if not months, I guess, we have come up against a wall in the fact that there's almost too much regulation out there. Because of budgetary constraints, how is the government possibly going to enforce a lot of these regulations that are coming down, even on that side?

The OFA would like to see the government maybe take another look at the timeline on implementation, because we're still supportive of the Nutrient Management Act. OK? I want to be very clear about that. We feel that farmers will do their part in this as a benefit to society. Society is going to get a huge benefit in some aspects, but we shouldn't have to pay in the agricultural sector. You've heard that many, many times, as has everybody around here, especially Toby.

Anyway, I think if we could get this so that source water protection came forward and then we brought in nutrient management as part of source water protection and took a step back on the timelines on implementation—because, as you know, on the federal side of things there are still some unanswered questions. We go to these meetings where the government staff try to present how this funding is going to work, and let me tell you, the Great Wallendas can't walk as tight a rope as what these people are doing, because they just haven't got all the answers that they need on some of the questions that are asked.

The Chair: Thank you for your presentation this morning.

Mr. Barrett: On a point of order, Mr. Chair: I wish to present a motion, in keeping with the recommendation of the Ontario Federation of Agriculture from Mr. Mistele.

I move that the Legislative Assembly of Ontario strike an all-party Ontario task force on the viability of agriculture.

The Chair: That would be for the committee to deliberate at report writing time.

Mr. O'Toole: On a point of order, Mr. Chair: I have a question of research. I want the researcher to refer to Ontario Farmer magazine, on January 11, written by Ron Bonnett. I want to commend him for a very detailed analysis of the CAIS program.

The Chair: Your point of order is?

Mr. O'Toole: I'd like research to verify the four accusations that Agricorp and the Ministry of Agriculture are unfairly treating Ontario farmers compared to other provinces, as stated in Ron Bonnett's article on January 11 in Ontario Farmer magazine.

The Chair: If you'll give that to the researcher, he will do his best to comply.

This committee is recessed until 1 o'clock this afternoon.

The committee recessed from 1201 to 1259.

LONDON HEALTH SCIENCES CENTRE ST. JOSEPH'S HEALTH CARE

The Chair: The standing committee on finance and economic affairs will please come to order.

I would ask the London Health Sciences Centre and St. Joseph's Health Care to please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Ms. Dawn Butler: My name is Dawn Butler. I am the chair of the resource planning committee and a member of the board at St. Joe's health care centre.

Mr. Doug Alexander: I am Doug Alexander. I'm vice-chair of the hospital and chair of the finance committee of the London Health Sciences Centre.

Mr. Ron McRae: I'm Ron McRae. I'm the chief financial officer for both of the hospitals.

Ms. Butler: I would like to start this afternoon and say thank you very much to the committee for giving us this opportunity to bring to your attention the very specific hospital issues that we would like to recommend the government consider in its 2005 provincial budget.

Eight years ago there would have been six of us standing here before the committee, representing six different hospital organizations in London. Today, there are only the two of us, with a single message on behalf of the two remaining organizations: London Health Sciences Centre and St. Joseph's Health Care. We have a proven track record of working together in co-operation with each other. Examples of this are many, but they include shared management positions, such as what Ron has talked about, the creation of three joint ventures and other integrated departments that serve both hospitals. The current diagnostic imaging and electronic patient record projects are done in conjunction with the Thames Valley Planning Partnership, which includes the hospitals. These two projects are excellent examples of the practical application of leading-edge technology in the health care sector, and the government has entrusted the leadership of these projects to both hospitals.

We would also like to note that we are collectively London's largest employer, with over 14,000 people on staff, and therefore provide significant impetus to London's economy.

We have comments to make in four different areas today. We believe the hospital and ministry budgeting processes must be changed to ensure that funding levels are carefully considered and are appropriate. We will make some comments on the need for operating funds for the hospitals. We will also highlight issues that will impact the hospitals in 2005-06 that will require capital support. Finally, we will highlight specific challenges associated with our academic mission and the need for appropriate support.

On the budget process: Hospitals are still uncertain today of their final funding allocation for 2004-05, even though the fiscal year-end is less than three months away. The provincial budget, which will be brought down in the spring of 2005, will identify the level of transfer payments to hospitals in the 2005-06 fiscal year. However, hospitals have not yet been provided with a timetable as to when the operating plans for 2005-06 will be required to be submitted to the Ministry of Health and Long-Term Care.

It would be much more effective if hospitals were required to provide plans for any given fiscal year in the previous fall, which would then provide substantial input to the provincial budget process in the following spring.

As business persons, we do not feel this is the most effective way to do the planning. We would like the government to hold us more accountable in this environment. It's very hard to hold accountability when the plans aren't done in advance. Spending 10 months during the fiscal year trying to get the right funding level for that fiscal year does not allow us to ensure that the money is being spent the right way.

Mr. Alexander: Let me make some comments, if I may, about the adequacy of funding. Over the last six years, the London hospitals have been subject to numerous external reviews. London Health Sciences Centre has seen six; St. Joe's has seen five. Our books have been scoured, and in all of these reviews very little room for improvement in our efficiency has been identified. In fact, we have been identified as exceeding the efficiency benchmarks but being underfunded for the level of services required. We're not trying to suggest that there's nothing that can be squeezed from our budgets, which total in excess of \$1 billion. However, we really do believe that opportunities will be limited and the savings potential is modest.

We would also like to try to set the record straight relative to recent headlines in the media concerning the bailout of the hospitals. To us, that suggests that the hospitals have created their financial problem, and we believe, in the case of the London hospitals, this is simply not true. We submitted plans over a year ago which forecast our costs to increase in excess of 5%. The funding that we received for the year was approximately 1%. Moreover, in the course of this year, we have constrained the increase in our expenses to less than that 5%. We believe that any new funding which the government may make available to us should not be construed as a bailout.

Hospital deficits are arising simply because of the gap between the funding levels and the operating costs necessary to support our community. The 2004 provincial budget included an increase of 4% for Ontario's public hospitals in fiscal 2005-06. Based on our past experience, we believe that it's unlikely that more than 1.5% or 2% of that money will be available to address inflation and other mandated cost pressures that hospitals will face. The remainder will be earmarked for special

programs, and we like a lot of the programs that are being put in place.

But if you look at that 2% of funding increase, it compares to increases in our cost drivers that we expect in 2005-06. We believe our wage costs are likely to rise in the order of 4%. We believe drug costs will rise in the order of 7%. Energy costs are likely to rise in the order of 10%. Major collective agreements expired on April 1, 2004, so our labour costs are very uncertain at this time. The population we serve is aging, and we know that is putting pressure on the cost of the health care system.

All of the factors which drive our costs are, quite frankly, beyond the capacity of any individual hospital to control. The estimated gap, based on the expected funding levels, should not be allowed to force short-sighted decisions, particularly ones involving the care providers. Staff reductions, given the demographics of our workforce and our unionized environment, would disproportionately affect our younger people, whose loss would jeopardize the sustainability of our health care system into the future. The provincial budget should, and I would say must, encourage innovation, so that dollars can be used more efficiently and effectively to serve the same population with less.

Let me also make some comments on the capital. A lot of time recently has been spent talking about operating costs, but there are some real issues on the capital side of our operations. There is negative working capital in the hospital system across the province. The working capital deficit is estimated at \$1.1 billion at March 31, 2004, and we believe this number is growing right across the system. The backlog of capital requirements includes equipment, technology and buildings.

The hospitals have no capacity to fund additional capital needs beyond the amount of depreciation in our annual operations, and our foundations are really tapped out in supporting the physical restructuring that is currently underway.

London has undergone major restructuring in recent years. We would say no other centre in the province is close to London with respect to the status of its physical reconfiguration and clinical program realignment. The overall project is planned to cost \$460 million, and we need to recognize the very generous nature of our community. The foundations have targeted to raise a total of \$70 million. However, this is a challenging target, and not all pledges are collectible immediately. Also, unavoidable escalating construction costs create the need for additional capital funds.

We're past the point of no return in construction. To stop would be absolute chaos at this point in time. Because we are struggling each year to break even operationally, hospitals, unlike private sector businesses, don't build up equity or surplus funds to finance these large projects.

The Chair: You have about a minute left in your presentation.

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Mr. Alexander: The necessary government funding to finish restructuring has not been confirmed. In fact, during the current year we were advised that the government wasn't going to pay any more for certain elements of restructuring. The provincial government will need to address this issue in 2005-06, either through the provision of grants, bridge loans or loan guarantees. Those needs will be in the tens of millions of dollars.

Ms. Butler: On the academic centre issue, the London hospitals' research arm brings \$50 million a year into this city. In addition to the immediate economic injection, research activity represents the future of health care. Support for hospital research should be a priority in the 2005 provincial budget.

Education: It is widely recognized that there is a shortage of health care professionals not just in this province, but across our country. Properly, the government has established a priority to increase enrolment in colleges and universities to address this issue. There is a reality that these students receive much of their education in a clinical setting in the hospitals. In any year we deliver, between our two centres, a million hours of training to approximately 4,000 students at our hospital sites. We pride ourselves on the role we play, but there is a cost that goes with that. It is our belief that much of the Ministry of Health's efforts is focused on delivering quality care at a low cost. While we do not disagree with that objective, we believe our funding, which flows through the Ministry of Health, must fully reflect the cost of our academic obligations. Failure to do so will compromise our ability to deliver both care and education.

We thank you for listening to us today. We are proud of our health care organizations. We share the government's concerns about the rising cost of health care. We want to work with you to address this issue. There is a need for systemic change, and we will play an active role in supporting these changes. But as we work through this change, we would like to see the following in our upcoming budget: realistic funding to reflect cost increases and increased demand from our communities; capital support to ensure restructuring is completed quickly, allowing us to reap the benefits of your significant investment; and recognition of the critical role of academic centres in providing research and education. Their role must be recognized and funded to meet the long-term needs of our health care system.

Thank you for your attention.

The Chair: The questioning in this round will go to the official opposition.

Mr. O'Toole: Thank you very much for your presentation. Thank you also for the volunteer work the boards do at the hospitals in difficult times, restructuring.

I have a couple of questions, but just as a bit of background: I recall when I was not in government the NDP government, I believe, had the acute care study which looked at capacity issues within hospitals. That was followed up by the Sinclair Health Services Restructuring Commission, which was looking at equity and

capacity in hospitals. Of course, teaching hospitals are outside of the normal global budget issues. That's always contentious under the JPPC process. I just wanted to reassure you that I'm very interested, having been for a couple of years in that ministry, but also I have seen the great work and investments that have been done in health care. Some of the things you talked about—patient information systems, Smart Systems for Health, NORTH Network—there's a lot of stuff that's going on in health care that does build efficiencies in infrastructure. There was a considerable amount spent during our time in government to build that capacity, to rationalize and make efficient use of resources, certainly yours being one of the leading centres perhaps in Canada.

I just want to talk a little bit about the current announcement this morning, or the perceived announcement, of this one-time bailout money. It will be interesting to see—I'm just looking at last year. The Minister of Finance said, "For the past five years, the health care budget in Ontario has grown by an average of 8% per year." It's the sustainability issue in health care that's really at the bottom of this. No one can argue with it; it's sort of motherhood. I had the privilege of listening to the Mazankowski report, the Clair report, the Romanow report—lots of reports trying to say, "How do we fix this issue?"

I hear your last realistic funding request—I'd like to know what that is. Also, perhaps you could, for the members of the committee—it's my understanding that working capital is just an operating deficit; that's my view. It's considered to be—the word "capital," you think it's all equipment. Really, it's an operating cash flow, which is over \$1 billion. Hilary Short said it's roughly \$680 million short for the regular operating budgets of hospitals. Perhaps you could respond for the members of the committee in the time you have left. We're very interested—I think all parties and all members are interested—in trying to solve this problem, because it's not sustainable, not because we don't want it to be. Maybe the health tax is another 2.6.

We heard in Ottawa that they had a \$10-million operating deficit. They are going to be laying off 300 health care workers of some sort. Another hospital told us they had a deficit and would be laying off 169. Earlier this year, I read that the London Health Sciences Centre—probably they got the rug pulled out from under them by saying it rather openly—was going to have to reduce staff and services.

What do the people of London or Ontario have to look forward to, unless there's additional realistic funding for hospitals?

Mr. Alexander: If I can speak on behalf of London Health Sciences Centre, we were probably looking at a deficit this year, at least with our initial budget, of around \$45 million. It was against that that we got a very minimal increase in our funding. Ten months into the year, we're still talking about, "Will that deficit be funded?" or "How will it be funded?" You see, the reality is, the money is being spent. We've delivered health care for 10 months.

Mr. O'Toole: If you've submitted a balanced budget plan, as required under Bill 8, how many people and how many services are you going to have to eliminate? What's your choice, as a board?

Mr. Alexander: It's a significant number. Quite frankly, we would like to resolve this on a funding basis. We don't think that cuts, in terms of beds and services, make any sense for the communities. It's an issue of how we pay for the level of services. But to spend 10 months figuring out whether we get 50 cents on the dollar today and the balance in the future is irrelevant, because at the end of the day we're still going to have a \$30-million or \$35-million deficit.

Mr. O'Toole: That's illegal. That's breaking the minister's law. Minister Smitherman has said you must have a balanced budget. Bill 8 in fact says that. What is your plan for a balanced budget to the Ministry of Health; that is, that you've already completed and, as a board, have approved. How many positions is it actually eliminating? Let's be honest.

Mr. Colle: Let's not push it.

Mr. O'Toole: No. You forced them to, and we, representing the public, would like to know what your balanced budget plan meant for reductions in staff and services. I'm not trying to be unfair with you. You didn't choose that.

Interjection.

Mr. O'Toole: See, they don't want to hear that.

The Chair: We only have 30 seconds.

Mr. Alexander: I'll take guidance from the Chair and say we've submitted our plan and it has not been approved in terms of its implementation. As I say, we are working hard to ensure that we're fully funded to deliver the level of service that's required. The numbers, I think are on the record. It's a significant number of employees. It's a significant loss of service, which would be inappropriate for this community. We have certainly advocated for the full level of funding. The Ministry of Health is our only source of funding, so if we don't get paid from there—

Mr. O'Toole: What's the percentage increase that you're asking for?

The Chair: Thank you for your presentation this afternoon.

Mr. Colle: Despite the badgering.

The Chair: Order.

Mr. O'Toole: On a point of order, Mr. Chair: The parliamentary assistant for finance is badgering me.

The Chair: That's not a point of order.

DOUGLAS POOLEY

LORNE SPICER

The Chair: Dr. Douglas Pooley and Mr. Lorne Spicer, please. Good afternoon, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would ask you to

identify yourselves for the purposes of Hansard. You may begin.

Dr. Douglas Pooley: Mr. Chair and members of the standing committee, on behalf of myself, Dr. Douglas Pooley, and Mr. Lorne Spicer, I would like to thank you for the opportunity of addressing the committee.

Our purpose here is to look at the issue of the budget as it applies to funding for chiropractic care. We recognize that it's a very difficult time for this government to come to a budgetary resolution when looking at the issue of allocation of resources and the overwhelming demands associated with the requirements for budgetary allocation in this province. As such, we feel it is important that the government take the time to revisit the issue of chiropractic care, as it relates to potential savings to the government in areas of health care.

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Back in December, as I'm sure you're all aware, the government announced the delisting of chiropractic services to the public. In the speech from the throne and various other presentations, it was demonstrated as a regrettable but necessary measure by the government in order to save funds to be utilized more effectively and more expeditiously for cardiac care, cancer care and long-term care.

We would like to believe that from the standpoint of manpower as well as funding, this is a mistake. We think it's important that the government take the time at this point to revisit this issue, the reason being that it's our position—and I'm going to talk a little bit more about some of the expert opinions we have had that demonstrate this—that not only will it actually cost the government more money, but it will also tie up physician services as well as emergency room services, potentially quite dramatically.

From a utilization standpoint, there was a recent Polara poll of the Ontario populace that demonstrated that 79% of the Ontario public feels that the delisting of chiropractic services is going to have a negative impact on the system, driving more people either into physicians' waiting rooms or emergency waiting rooms.

Subsequently, there was a study commissioned using Deloitte, which is also a company that is utilized by the provincial government, and its studies revealed that the cost to the government for delisting chiropractic care could range in the neighbourhood of \$25 million to \$225 million as a result of the fact that the increase in physician services would be estimated between 1.3% and 2.6%, with a potential fallout to emergency room services of 10% to 14%.

Thirdly, there was a study that was commissioned by the very prestigious Annals of Internal Medicine, which looked at the issue of managed care as it applies to utilization of chiropractic services. It compared 700,000 users of chiropractic services to a million non-users and found a budgetary saving in incorporating chiropractic care of 1.6%. In looking at the \$31-billion Ontario budget for health care, this represents approximately a \$500-million saving to the government.

Finally, there was the most recent WSIB study looking at their most recent plan for the treatment of acute back injuries. It found that access for patients going to chiropractors, as opposed to other services, was three days, as opposed to 13. Perhaps more importantly, the saving to the public, as well as to industry, demonstrated that time off work for people using chiropractic care was approximately nine days, as opposed to 20 days for more conventional services.

I could go on to quote other sources and studies that have been done to demonstrate the efficacy of chiropractic care and the support we received from various hospital groups and community care as well as long-term-care facilities, but I think you're most interested in hearing from a member of the public. I have the privilege of having beside me one of Elgin county's most respected citizens, who would like to relate to the committee his experience with chiropractic care and the delisting issue.

If you don't mind, Mr. Chairman, I'll turn this over to Mr. Spicer.

Mr. Lorne Spicer: I'm just a patient of Dr. Pooley and have been for 20 years. I guess my history tells what went on. I had back surgery, and after roughly 90 days, something happened and it didn't work any more. I called the doctor's office once, and he was to call me back. The next time I called, his secretary or nurse said he wouldn't speak to me. I ended up on pain pills and a few things like physiotherapy. It did absolutely no good, and after a period of time I tried cortisone shots, which would give temporary relief, but you went to the hospital to get them. That must have cost a fair bit.

Eventually, I ended up at Dr. Pooley's, and I can honestly say that if it wasn't for him, I wouldn't be walking today. He has kept my joints working and that. Basically, the amount of money that goes into chiropractic care is a drop in the bucket, but it is nice to have that drop.

I don't think there's much else I can really say, other than that a lot of people are in the same position I am. I know that if I've got a choice of walking or not, I'm going to find the money somewhere. But it would be nice if there was help. Thank you.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: We've had a number of chiropractors coming in in the last number of days that we've been on the road. Some have said that their patient caseload has gone down, and others say that it has not. What has been your experience?

Dr. Pooley: I have the benefit of being in practice for over 27 years, so my caseload is fairly consistent. But where I have noticed a difference is in the number of individuals who, unfortunately, because of costs, have not been able to come and see us. Those people are essentially disenfranchised because there is, of course, a significant fee. In our office that fee is now \$33 to come and see me. For a lot of people, that's just not even a consideration. So it's not so much the issue from my practice of whether it's gone up or down; the slots have

essentially been filled. The sad part is with regard to the individuals who have not been able to access chiropractic care.

Mr. Prue: Who would those individuals primarily be? They would obviously be the poor, the elderly, young families, new immigrants. Who are they?

Dr. Pooley: I think, Mr. Prue, you just summed it up right there. It's the poor, and senior citizens especially. The unfortunate part, I believe, is that the individuals who lack chiropractic care the most are the ones who need it the most, and that happens to be the seniors. These are the people for whom issues of quality of life are critical, and mobility is critical to keep them out of other areas of health care services. This is an area that the government at least should look at, seriously reconsidering its position on delisting with regard to helping out senior citizens, an area where I believe it is exceptionally cost-effective and very efficient.

Mr. Prue: We've seen the studies from other presenters; they have been given to us. The arguments made are compelling, but I guess it comes down to a political argument that this is a government that just six months or so ago determined that this was a course of action.

Mr. O'Toole: They're privatizing.

Mr. Prue: Yes, privatizing health care is what they're doing.

Can you give us any suggestions on how this government might do a 180-degree about-face and do the right thing?

Dr. Pooley: I don't know whether the government can legitimately do that. That isn't a criticism; that's just a comment. I understand that the ball is in play. But I think that it may want to consider looking at chiropractic services, if nothing else from the standpoint of selectively incorporating chiropractic services for certain groups that perhaps cannot most readily afford to be users of chiropractic care. I think the efficacy of chiropractic care has been proven. Does it work? Oh, yes, it works. I don't believe there's anybody in this room who can deny that. The studies are there that demonstrate the efficiency of chiropractic services.

So let's maybe revisit it as it applies to those individuals who cannot legitimately—or as it serves as a burden for those individuals within Ontario to not be able to access chiropractic care. Would that be appropriate, Mr. Prue?

Mr. Prue: So, if I'm taking this right, a reasonable compromise for this government would be to reinstitute chiropractic services for needy individuals, as a start.

Dr. Pooley: Yes, and I think that's something that has been done in other jurisdictions across Canada. Sorry; I can't quote exactly where that has happened, but I think that in BC, where chiropractic has also been delisted, there has been some measure provided for those who legitimately can't afford the access.

The problem is, it becomes disenfranchising, and I don't believe that this government or any other government wishes that for its people.

The Chair: Thank you for your presentation.

Mr. O'Toole: On a point of order, Mr. Chair: I have a motion, with your indulgence.

I move that this committee request the Minister of Finance and the Minister of Health to (a) review the Manga report and report to the committee, and (b) consider reinstituting the chiropractic service coverage fee under the Canada Health Act.

The Chair: Very good. We'll have that at report writing time.

Thank you for your submission this afternoon.

Dr. Pooley: Thank you very much, Mr. Chairman and members of the committee.

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COUNTY OF MIDDLESEX

The Chair: I call on the county of Middlesex to please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr. Bill Rayburn: My name is Bill Rayburn. I'm the chief administrative officer for the county of Middlesex.

Mr. Tom McLaughlin: I'm Tom McLaughlin, warden of the county of Middlesex.

Mr. Rayburn: Mr. Chairman, we wanted to start today by saying thank you to the province of Ontario for a number of things, not the least of which is all that you've done working for municipalities in the last year, including the AMO memorandum of understanding and some great work on OSIFA, which has really helped municipalities over the past year.

Today, our real purpose, in addition to thanking you for that, is to encourage you to make rural and small urban issues a priority in the 2005 budget. We think this can be accomplished in a number of ways: the equitable distribution of budget resources, maintaining existing commitments that have been made by the province of Ontario, and investing in our communities.

We ask you to remember rural and small urban Ontario whenever you're making your budget decisions, because I don't think the importance of rural and small urban Ontario to the economy of Ontario can be overstated. I also bring to your attention that there seems to be a growing divide between rural and small urban Ontario and our large urban neighbours. It seems that we don't do as great a job as our colleagues in the large urban municipalities do of lobbying for support and lobbying for budget allocations.

I think that more and more the decisions of the government of Ontario have been influenced by large urban municipalities. One example of that is the provincial gas tax. I understand my colleagues from the city of London were here this morning, and I'm sure that my good friend Grant Hopcroft was here on his knees thanking you for all the work you've done for the city of London and for other large urban municipalities.

Mr. Colle: No, he didn't; he complained bitterly.

Mr. Rayburn: Maybe he should have.

Unfortunately, a lot of this important funding tool was directed toward urban Ontario. We're also concerned that the federal government will do the same with their gas tax money, and that would be two major sources of funding that we would see pass over rural Ontario. We think at Middlesex county that a large portion of that should have been used to support rural transportation networks, because we believe that those transportation networks are as important to us as transit systems are to the urban municipalities.

We think the province of Ontario can correct this inequity with additional funding for rural Ontario through programs such as COMRIF. COMRIF is well-timed, because we are facing a significant infrastructure deficit in rural Ontario. But we'd like to see a larger investment, as it's difficult to divide this small amount of money across a lot of municipalities. Especially when you consider the amount of money that has been invested in large urban municipalities in 2004, there are lots of reasons to think that an additional COMRIF allocation is an important place for the budget allocation of 2005.

I just have to also point out that it was disappointing that the one big fund for rural and small urban Ontario was extended to municipalities up to 250,000. I think that leaves out approximately four to seven municipalities in Ontario that wouldn't be eligible. I point out that 250,000 is neither rural nor small urban by anybody's definition.

In the "keeping promises" category, I want to talk just for a second about ambulance funding. I imagine that my colleagues at the city talked about ambulance funding with you. We are the provider of that service in Middlesex-London, and it is a big frustration for us when we see new commitments being made without old commitments being kept. The best example of that is the 50% funding for the land ambulance. There are people around the table who have heard this speech before, people around this table who have argued probably louder than me for it—right, Carol? I won't go into it in too much detail, but I will say that we still are living without 50% funding on the land ambulance side, which was a promise of the last two governments of Ontario.

I don't just want to complain without giving you a solution, so I'll give you a solution. It's one that we've talked to Minister Smitherman about as well, and we hope that we'll get your support for it: the use of an ambulance user fee. I've included a letter that we wrote to Minister Smitherman last year, and I'd encourage you to read it. If the province of Ontario is not going to provide 50% funding for land ambulance, we're asking that you start looking at who gets the land ambulance user fee. Right now, 50% of that money—the \$45—goes to hospitals, and the rest goes to the province of Ontario. We think that money should be going to the provider, and the provider should have a direct relationship to that funding.

We are also getting support from hospitals on this. Our local hospital has said, "That's a good idea," which is a little surprising in these tough times for them. We think it

will provide better collection—so do they; it's tough for them to collect that money—and a direct connection to the service.

We would encourage you to raise the user fee to discourage nuisance calls. If someone sprains their ankle, they shouldn't be calling an ambulance. If you have a user fee, that prevents that. Other jurisdictions, you'll see in our letter, have gone to this. This thought of mine is not new; in fact, it's being utilized in a bunch of other jurisdictions, to the benefit of the land ambulance service. So I'd encourage you to look at the letter that I've provided on the next two pages. It's dated September 28. The minister was very receptive to the concept, and hopefully we'll see something about that coming forward.

I also want to take a minute of your time to talk about the need for investment in rural primary health care. Those of you who live in rural Ontario know there are many municipalities that are now building medical clinics. This is something that you don't have to do in urban Ontario, but it's something we seem to have to do in rural Ontario to maintain our primary health care. This investment is a double payment. We pay through provincial tax, but we also then have to pay through local tax for rural health care. I think it's incumbent upon the province of Ontario to recognize this need that's out there and to help fund it with the expansion of the work you are doing on health teams, which we think is a great idea.

Being from Middlesex county, there is no way I could let this day pass without talking about the importance of agriculture. They are going through a very difficult time. I spent most of yesterday at the hockey game with a couple of farmers who were complaining more than they usually do about the state of agriculture at the moment. We just want to make sure you were aware of the importance of this to our economy and also the importance that budget cuts make, in programs like the municipal farm drainage program, to the success of the agricultural industry. We believe that now is the time to invest and to make a strong statement in your support of agriculture and the important work that the Ministry of Agriculture does on behalf of Ontario.

Two items on the uploading front. Something you probably don't hear municipalities talk about a lot is privatization of long-term-care services. I'm not sure if you've heard that one yet, but it's something that Middlesex county certainly is interested in. We think you should also look at the assumption of income-based services.

In regard to long-term-care facilities, in our community there are plenty of private providers that are willing to provide the same service that we provide, yet we are mandated to be in this business. It's a very expensive business to be in. It's going to cost us \$22 million to build a new home. It's a service that we in this area don't need to be in. What we are suggesting is that you may want to complete a study about whether or not municipalities need to be in this business in all parts of Ontario. There may be a condition you could put on them so that they don't have to be in this business when there are

private sector providers willing to provide the same service as us. That would allow us to have funding for other critical services, with no financial impact to the province.

The Chair: You have about 30 seconds.

Mr. Rayburn: We also would ask for your consideration of moving some income-tax-related property services onto the provincial tax bill. We ask that you look at that as part of the CRF review that you are currently undergoing, as an option.

Finally, I'd like to say that we think rural Ontario is vital to the growth of Ontario. We think it's important. We hope that in your budget deliberations you'll give strong consideration to some of the things we've said today and make a strong statement in your budget for 2005 that will help the health of rural and small-urban Ontario. Thank you very much.

The Chair: Thank you, and the questioning in this round will go to the government.

Mr. Wilkinson: Good afternoon, Tom, Bill. It's wonderful that you were able to come today. I think this is one of the few county presentations that we're going to have in our two weeks of deliberations, and I remind the members that you can't get to the city of London, where we are today, without driving through the county of Middlesex.

What I wanted to talk about was just trying to get a solution on land ambulance. That has been an issue that we have been having to deal with. I know that my colleague the member for Huron-Bruce had to deal with this as well.

My concern is, you were talking about the user fee, but there's also the question that we have kind of a ratcheting-up of wage settlements. Out here in southwestern Ontario we have county versus county. I was wondering if you could comment on that, because that whole cycle seems to have gotten us into a pickle, and of course then the province said, "We're only going to pay for 2%," and that's why your share of the 50-50 has gotten so out of whack. I was wondering if you could comment on that, about how to break that cycle.

Mr. Rayburn: John, you're right; that's exactly what has happened. There has been sort of a flip-flop, domino effect across Ontario with new wage settlements. We're starting to see that slow down now. What we're starting to see now is a levelling off of wage settlements. For a long time there was sort of an artificial cap on those paramedic wages. What we are seeing is that there was a dramatic rise, and now a levelling off is starting to occur. We're not seeing the great flip-flop we did, especially on the level 2 paramedics. On the level 1 paramedics we're seeing still a little bit of growth in their wages, but I think that will settle down over time. I think they had to catch up to their colleagues in the fire and police. They are there now. They are getting parity with that group, and they deserve parity, for the most part, with that group. They provide a very vital service and they are an important service in our community. So I think that will gradually become less and less of an issue, but if we keep being capped at the 2% wages from way back in 1998,

we're never going to be able to catch that up without user fees.

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Mr. Wilkinson: So that I get this right, as we advise the minister, you think the cost driver is almost out of the system once they get the parity with their colleagues in fire and police.

Mr. Rayburn: Exactly. There was a pent-up demand, for sure.

Mr. Wilkinson: So if we went back to a 50-50 arrangement in real terms, we wouldn't see that kind of cost driver that we had in the past? Because obviously the minister would be concerned about that.

Mr. Rayburn: Yes. He's not the only one. My council is as well.

Mr. Wilkinson: You're the first one, I think, to come and talk about uploading, particularly in long-term care. How would you see that working? In other words, is there some regulation we would have to have when the private sector in long-term care is providing all the services? Because we've heard that up north, there are no private providers of long-term care. It's all on the property tax base. It's a tremendous burden on them, and we have scarce resources, so we need to make sure we are allocating the resources where they need to be to serve Ontario's needs. How would you see that uploading exercise actually work?

Mr. Rayburn: You know I'm from North Bay, so I'm aware of the northern situation, but I try to keep it in the simplest terms. Whenever you put out ads for take-up of the number of beds that were available, you had an oversubscription of people wanting those beds in this area. You did not have that in northern Ontario and other areas. If you have an oversubscription of people wanting the beds, why are you forcing municipalities to provide a service? It's not only the competition that we provide to them that's harmful, and the fact that we are wasting tax dollars by doing it, but they pay property taxes. I have a double reason for suggesting that, because I don't pay property taxes to myself. They pay property taxes and put money back into our local economy. It's a double win for us. So I think that's the simplest solution right there.

The Chair: We have less than two minutes.

Mrs. Mitchell: This will be very quick. Bill, just so that I have an understanding, the billing that happens from the hospitals, is that if they call for an ambulance and it goes and picks up, or is it a drop-off? You know where I'm going with this. Is this going to get into all kinds of cross-border billings, when you have tertiary care in some areas? You know, there's still many outstanding issues on border, on billing.

Mr. Rayburn: By the way, we're making good progress on it.

Mrs. Mitchell: I heard that. But you remember where I'm from, so I would be remiss if I didn't bring it forward. I just don't want to perpetuate the past mistakes that were made. So explain to me how you see it evolving if we were prepared to support that.

Mr. Rayburn: Sure. I think the details are critical here, but I really see that for local calls within your jurisdiction, not cross-border calls—because those are interfacility transfers that you are talking about. What I'm trying to say is, call volume growth has been going up exponentially. The reason is that in rural areas that is seen as your primary health care. If you don't have a doctor to go to, sometimes you call the ambulance. So what we're trying to do is say, no, take that extra effort to go to an emergency room or to do something else, as opposed to calling an ambulance, which is the most expensive type of primary health care. If you call in your jurisdiction to go to a local hospital, I think that cost should be—in some jurisdictions it's as high as \$200. It shouldn't be \$45. It should be somewhere in between \$45 and \$200, because you have to create a financial disincentive to them wrongly using our system. It's the most expensive way to waste resources you can find.

The Chair: Thank you for your presentation this afternoon.

FAIR AIR ASSOCIATION OF CANADA

The Chair: Would the Fair Air Association please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that, and I'll watch my clock as well. I would ask you to identify yourself for the purposes of Hansard.

Ms. Karen Bodirsky: Good afternoon. Mr. Chair, committee members, I would like to thank you for the opportunity to address you today. My name is Karen Bodirsky. I'm head of the Fair Air Association of Canada. Our members represent a wide cross-section of the business community in Ontario and indeed across the country. They range from the hotels associations of Saskatchewan and Alberta to a number of Ontario ventilation engineers, from roughly 90% of the bingo halls in eastern Canada to several hundred bar and pub owners here in Ontario. Our members also include the Canadian Tobacco Manufacturers' Council and Direct Energy—obviously, a fairly wide-ranging coalition with one common interest: They want to ensure that budget decisions reflect the economic impact this province can expect to face in the wake of legislative action dealing with smoking in public places and specifically smoking in bars and pubs. So I find myself in the somewhat unique position of being here, asking you not to include specific funding in the budget but asking that the budget accurately reflect the economic impact of government decisions in other areas.

As you know, the hospitality industry is an integral part of our communities. The bars, pubs, hotels,ingos and legion halls of Ontario are meeting places. They are hubs of social interaction. They sponsor teams and events. They support a host of charitable activities. You've all been to these places. There's a reason you stop by during election campaigns: It's because this is where people gather, both smokers and non-smokers.

Service to customers is the reason for their existence, and banning smoking prevents these places from serving a significant portion of their customers. When you prevent Ontario's small business community from doing business, you affect the economic vitality of this province.

Of course we are concerned with employee safety. This is not an either/or situation. You can protect the bottom line, which I would imagine is of concern as part of the budget process, and you can also protect employees. You do that with ventilation. It's the standard use in British Columbia, Nova Scotia and Quebec. It is a standard that works here.

We have seen the disastrous effects of a ban firsthand, in Ottawa, British Columbia and New York City, to name just a few locations. We see licensed beer sales plummet—municipalities that bring in bans—however, retail beer sales rise at the same time. So what we see is that people just stop going out. They stay home and do their socializing at home. It means that bars and pubs close and it means that people lose their jobs.

Again, ventilation is an option that can avoid this happening. Not only does the hospitality industry support ventilation; so does the general public. Every poll on the issue that gives respondents a choice rather than an ultimatum finds the same thing. Most people believe that ventilation is a reasonable solution for bars and pubs. Of course they don't want to see smoking in places where children are, where children gather—at fast-food establishments. What they're talking about are places where adults gather and where adults are making adult choices, which may or may not be the healthiest choices imaginable. I don't think anyone would argue for a moment that smoking is anything but unhealthy. That being said, it is a choice that's made by 20% of the adult population of this province, and that 20% of the population represents a far greater percentage of the clientele in establishments of this kind than their general place in the demographic would suggest. We find that 30% to 40% of the clientele in bars and pubs are smokers. So while you have 20% of the population generally, they're a huge proportion of the business in bars and pubs.

You've heard a lot of rhetoric from lobbyists who want a smoking ban. You've been hearing it for some time, and this government has chosen to take action based on what you've heard. They claim to want to level the playing field. They say bans don't hurt business. They say smoking bans will apparently lead to fewer people smoking. I'd like to present another point of view to that. Some bars have more walk-by traffic than others, some bars have better parking, some bars have better menus. This is anything but a level playing field; it is the nature of the hospitality industry. I don't think for a moment that this government has any interest in legislating more equitable menus. If the concern is to level the playing field, this doesn't do it.

One bar owner noted that the cost of putting in a ventilation system is equivalent to the bar tab of three regulars who come into their establishment. They find that putting in ventilation systems is cost-effective. It

does meet their needs. So when you hear that it's too expensive for most places, that's simply not the case.

Bans do hurt business. Earlier I talked about the experience of New York, Ottawa and BC. If you ask anyone who actually works in the hospitality industry, they'll tell you that without their smoking customers, their business is hurt. They pay less taxes. In many cases they go out of business and they pay no taxes at all, and a lot of jobs are lost.

The anti-tobacco lobby points to California and an inconclusive KPMG study as evidence that there is no long-term economic impact. In fact, the KPMG study says very clearly that its results are inconclusive. So KPMG is not the final word on this particular issue. As for California, it has a temperate climate. It is very easy to step outside there and have a cigarette. On days like today, I think you'd agree that stepping outside is no one's first choice. It is worth noting that an exhaustive study has been done in California that has found the compliance rate there in terms of not smoking inside is far from effective. The compliance rate is in fact about 40%.

In New York state, bars can apply for an exemption to the non-smoking bylaw. So to say that New York state is smoke-free is not quite accurate.

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While we admire those who want to promote a healthy lifestyle, banning smoking in bars and pubs doesn't stop people from smoking. Surveys show this; real-life experience shows it. People stay home and smoke, in unventilated environments. Sales figures from breweries show that in municipalities where bans are in place, the sales to bars and pubs decrease and, again, the sales of beer that goes home increase.

As you continue your work on behalf of the finance minister, I hope you remember your duty to all the people of this province. I would ask that you not close your door to sensible answers that allow small business, the lifeblood of this province, to stay in business. If you determine to proceed no matter how much damage is done to our small businesses, I would hope that an open, transparent government will also reflect in the budget papers the economic devastation that we expect to see as part of this process. And if the government chooses to move forward with anti-smoking legislation, I would hope that an economic study that reflects accurately the economic impact of that decision is part of your process as well.

I'm leaving a number of documents for your deliberation and I hope you'll take the time to read them—they are with the clerk—material on the ventilation solution adopted by British Columbia, as well as the court case that prompted the provincial government to listen to and work with the hospitality industry; extensive material reflecting the economic harm that has been done in communities that have adopted all-out smoking bans without taking into account the needs of the business community; several research documents on economic impact in various jurisdictions, including New York; the

study that was done in California that demonstrates that compliance with non-smoking legislation in that jurisdiction is not impressive.

Thank you again for your time and your attention. For the sake of the hospitality industry in this province, I hope what I've said makes a difference. If I can answer any of your questions, I'd be very happy to do so.

The Chair: Thank you. This round of questioning goes to the official opposition.

Mr. O'Toole: Thank you very much, Ms. Bodirsky, for trying to communicate some sense to this. I just wanted to reassure you that Toby Barrett, the MPP here, is one of the strongest voices for the tobacco growers, who are his constituents, and the other people affected by this hasty and ill-conceived plan by Smitherman. In fact, it's my understanding that Minister Smitherman said, when he was scrummed by the press after he made the total ban commitment, that he would have preferred to ban smoking in your own home. I attended a legion hall in my riding and they are shocked at the lack of respect for the legion and for the veterans who have contributed, as you suggested, to our community.

They do have an agenda. They're banning Snickers bars and pit bulls. I just wanted to make those comments in the genuine sense that I've made them. I'll give Toby a chance.

Mr. Barrett: Thank you, Ms. Bodirsky. I appreciate your information on the economic impact, and any further information would be welcome.

In any war, there is collateral damage. I am concerned if, as you indicate, there is evidence that licensed beverage and alcohol sales go down, so people drink at home. Again, theoretically, we will see more people smoke at home if they're not allowed to smoke in public places. Many of these are public places with bouncers. I think of some of the characters who are in some licensed establishments in our area and I question, is it wise to have some of these people spending more time at home? I do question that. They have children, they have families; should they be drinking and smoking at home? There is always collateral damage, if you will, in any war.

I want to raise the issue of ventilation. My office is ventilated. This room has a very high ceiling. I think the ventilation is very good in this room. You indicated other provinces, and at present much of Ontario has designated smoking rooms. No one would say that smoking is good for you. I think the jury is out on second-hand smoke. People say, "Well, if it doesn't kill you...." There are no coroners' reports that second-hand smoke has killed anybody, but it's a nuisance.

What I feel is very important for this government to consider is, if it is a nuisance, ventilation solves that problem. In analyzing what's going on here, I guess my question to you is, what is the government doing? Is it truly wanting to solve the problem of the nuisance value of second-hand smoke? Is this a means to an end?

Mr. O'Toole: It's social engineering.

Mr. Barrett: Is the class of social engineers who are presently in government using this as a means to an end to encourage more people to quit smoking? What's going on here? Why not go with a practical, common-sense solution like ventilation?

Ms. Bodirsky: I would not suggest that I'm in a position to speak for the government, of course, but I appreciate your question. I do find it ironic that the government has said, in effect, that designated smoking rooms work, and work effectively, or else I would suggest that they would not be allowed, through the legislation, in seniors' residences. If they were not considered safe for our most vulnerable citizens, why would they be allowed? They work very effectively in those places, as they work in many other jurisdictions where they are allowed. If they work to contain second-hand smoke, to keep it from spreading to areas where non-smokers are gathered, then why would that not be allowed?

In some jurisdictions—British Columbia, for example—they limit the time that workers can spend in designated smoking rooms to no more than 20% of their shift. The intent there is to make sure they are not exposed to second-hand smoke if they choose not to be, and of course they have the right to refuse to work in those areas altogether. In other places, they've said that there's no service in the designated smoking rooms. If someone chooses to smoke, then they bring their own drinks in and take their own drinks out afterward, so there's no exposure of workers to second-hand smoke.

Designated smoking rooms work extraordinarily well. There have been a number of studies that demonstrate that very effectively. The most recent was done by Stantec, which is an international environmental consulting firm. I'm happy to leave a copy of their study with the committee. I have it on disk as well for the clerk, who may find it easier to deal with. What the study shows very clearly is that second-hand smoke is contained by designated smoking rooms, which ensure that non-smokers are not exposed to it if they choose not to be. Again, this is a solution for many bar and pub owners and, of course, for legion halls and casinos and hotels and a host of other hospitality establishments that depend on smokers for a significant portion of their income.

The Chair: Thank you for your presentation this afternoon.

Mr. Barrett: Mr. Chair, as I like to do on occasion, I would like, on a point of order, to put forward a motion.

I move that the government of Ontario consider ventilation and attendant designated smoking rooms as a solution to the issue of second-hand smoke.

The Chair: Thank you. We'll discuss that at report writing time.

ONTARIO ASSOCIATION OF OPTOMETRISTS

The Chair: Would the Ontario Association of Optometrists please come forward. Good afternoon. You

have 10 minutes for your presentation, and there may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Dr. Shirley Ha: Thank you, committee members. My name is Dr. Shirley Ha, and I am the president of the Ontario Association of Optometrists. With me is Barbara Wattie Fuller, our executive director.

We welcome the opportunity to present before the standing committee on finance and economic affairs. Unfortunately, we were not provided with the same opportunity to present before you last year, and as all of you are aware, last year's budget saw sweeping changes to the way optometric services are funded in this province. Today, we will communicate directly to you and through you our grave concerns in the area of spending on professional eye care services for Ontarians. It is imperative that members of this committee and the entire Legislature understand the crisis that optometrists continue to face as a result of government inaction.

1400

In our presentation today, we will address a number of critical issues that continue to face both Ontario's optometrists and the thousands of Ontarians who rely on them for their primary eye care needs. We will also provide recommended solutions which have a minimal impact on Ontario's overall fiscal plan. The OAO has always tried to provide options that recognize the fiscal constraints of the province, yet the government only seems interested in policies that place the financial burden solely on our profession.

As many of you are aware, optometrists are front-line, primary eye care providers who are responsible for delivering the majority of primary eye care and vision care services in Ontario. More than three million patients visit an optometrist in Ontario annually for services that include comprehensive eye examinations and treatment in the areas of refractive status, oculo-motor status, sensory status and the health of the eyes. Patient care also includes the diagnosis and management, in co-operation with physicians, of the ocular manifestations of certain systemic diseases, including diabetes and hypertension.

The OAO is the voluntary professional organization representing optometrists in Ontario. In addition to providing resources and continuing education to its members, the OAO is committed to raising awareness of optometry and educating the public about the importance of their visual health.

There is an urgent need for a fair contract with Ontario's optometrists now. Last year, our written pre-budget submission to this committee focused entirely on the urgent need for government action on OHIP funding for optometry services. OHIP-funded optometry fees have been largely frozen for the past 16 years—I repeat, the past 16 years. The government responded in the 2004 budget by delisting optometric services for adults in Ontario, effective November 1, 2004, while continuing OHIP eye care coverage for children and seniors at the same 16-year-old rate. I should note that we were not

consulted about this delisting nor were we provided with detailed information after the budget announcement. In fact, it was only after OAO held a post-budget news conference pleading with the government to ensure continued coverage for adults at risk for eye diseases that it guaranteed this vulnerable population would be protected as well.

As of November 1, 2004, the provincial government, through a regulatory framework under the Ontario Health Insurance Act, continues to pay for eye examinations by optometrists for children, seniors and adults with medically necessary conditions such as diabetes. The OAO is the organization responsible for negotiating the fee schedule with the Ministry of Health and Long-Term Care on behalf of the profession.

While the government has worked hard to negotiate new contractual agreements with the province's physicians, nurses and other health care providers, the agreement with Ontario's optometrists expired almost five years ago. Optometrists continue to work in the absence of any negotiated agreement, with fees that remain largely unchanged since 1989. Provincial legislation mandates that the ministry negotiate a contractual agreement for the provision of OHIP-insured optometric services with the OAO. The lack of progress is extremely troubling to us as it does not provide optometrists with the fiscal transparency and accountability necessary to be responsible financial partners with the government. It is somewhat ironic that the government would insist on stringent reporting mechanisms from its funding partners while the government itself is unwilling to follow financial best practices in negotiating a legally mandated agreement.

In short, the negotiation of a new funding agreement setting out fair and reasonable fees for OHIP-insured optometric services is not only long overdue but it is crucial to the very future of the provision of primary eye care services in Ontario. We would ask this committee to recommend to the government that it make the negotiation of a fair agreement with Ontario optometrists a financial priority in its 2005-06 budget.

Over the past 16 years, there have been significant advances in technologies and examination procedures to diagnose eye conditions and diseases, which the profession is subsidizing out of its own pocket. As our fees have been frozen for 16 years, they do not come close to covering the costs of providing eye care, and the profession is increasingly concerned with its ability to maintain the standards of care set out by our College of Optometrists of Ontario. The costs to just keep the lights on at our practices have significantly increased, and when you add on the increased equipment costs to ensure compliance with the more stringent regulatory standards imposed by the government, the effects are devastating.

Optometrists lost money on every OHIP eye examination they did last year, and have done so for the past several years, or since at least 2000. They have had no choice but to make up this shortfall from the income they received from the provision of other non-OHIP-insured

services, such as dispensing of eye glasses and contact lenses, because they would go bankrupt if they had to rely solely on their OHIP examination fees.

At the same time as optometrists' income decreased by 14.4% since 1990, the year that I graduated, other health care professionals have seen their incomes increase steadily. In fact, there have been significant fee increases to other health professionals, including physicians, nurses and health care technologists as well as other government and broader public sector employees.

The recent delisting of eye examinations still results in an estimated two thirds of Ontario's population insured, so there will be a limited opportunity for optometrists to subsidize OHIP eye examinations through these deregulated eye examinations. In addition, a large number of adults had their eyes tested prior to the delisting, so it is anticipated that there will be a significant decrease in the number of adult eye examinations now that the de-insurance has come into effect.

We are asking this committee to recommend to the government that it immediately increase the fees paid by the government for the eye examinations provided by optometrists under the Health Insurance Act. We are asking you to recommend to the government that provisions be made in the 2005-06 budget to recognize the increase in eye care costs over the past 16 years.

The ministry has made a bad situation even worse with respect to the automated visual field assessments. When optometric services were officially delisted on November 1, 2004, the government did not take the opportunity to restart negotiations or recognize the increased costs to perform eye examinations. They appear to have made a bad situation even worse by adding to the services that they expected optometrists to perform for a 16-year-old fee. This fee, which is currently frozen at \$39.15, didn't cover the overhead costs of providing primary eye care before November 1, when the change took effect.

Let me provide you with a very real example. It appears to be the government's position that the recent changes to the schedule of optometric services under the Health Insurance Act should mean that the highly technical and time-consuming procedure known as automated visual fields should be included as part of a primary eye examination covered by the Health Insurance Act.

The Chair: You have about a minute left in your presentation.

Dr. Ha: Really? OK.

This was done against the advice of our association and of our regulatory body, the College of Optometrists of Ontario. An automated visual field assessment, or AVF, is an additional assessment which provides a detailed mapping of the extent and sensitivity of the patient's visual fields. They are performed for a myriad of clinical conditions and are considered an integral part of screening, diagnosing and following patients with diseases such as glaucoma. They are performed only when clinically indicated, and many ophthalmologists

have relied on primary eye care providers to perform these assessments before any medical referrals are made.

Everyone but the Ontario Ministry of Health and Long-Term Care agrees that AVF assessments are additional, secondary assessments that are usually as time-consuming as the primary eye examination which preceded them.

I'm just going to skip over a bit.

Moreover, in all other North American jurisdictions AVFs are not considered to be part of a primary eye examination but rather are considered an additional service. Optometrists in most of these jurisdictions bill patients directly for AVF assessments.

The Ontario government needs to come to a decision. We communicated with Minister Smitherman last summer and noted that if the government moved forward with OHIP policy changes without addressing, in some form, the fees optometrists are paid, patient access issues will emerge as optometrists strive to ensure that their practices remain solvent in the face of skyrocketing business and professional costs. Unfortunately, until the issue of fair support for AVFs can be resolved between the Ontario government, our association and regulatory college, we have no choice but to ask our members to cease providing this service and to refer patients to other health care providers and local hospitals for AVF assessments. This is not a decision to take lightly, and we truly regret the increased waiting times and inconvenience to our patients. However, we feel that we have no other choice.

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We're asking this committee to recommend to the government that they fairly fund AVFs in a way equal to ophthalmologists or, failing that, that they recognize that optometrists will need to be able to bill patients directly for this service in order to be able to afford to provide it.

I'm just going to go right to the recommendations. I'm going to skip over the TPA area.

The OAO has always tried to work with every political government in power to ensure that quality eye care remains a priority for the people of Ontario. We have tried to provide creative solutions during times of financial constraint and have been patient when it was asked of us. However, the government-funded optometry fees remain frozen since 1989, something that has not been asked of any other health professional group in Ontario. When compared with all of the other provinces, Ontario optometrists receive the lowest levels of compensation.

To reiterate, we would ask the committee to recommend to the government the following:

(1) That it make the negotiation of a fair funding agreement with Ontario's optometrists a financial priority in its 2005-06 budget;

(2) That it immediately increase the fees paid by the government for eye examinations provided by optometrists under the Health Insurance Act in the 2005-06 budget to recognize the increase in eye care costs over the past 16 years;

(3) That it fairly fund secondary AVF assessments in a manner that is equal to ophthalmologists or, failing that, that they recognize that optometrists will need to be able to bill patients directly for this service in order to be able to afford to provide it; and,

(4) I did not touch on this, relating to TPAs: That it immediately pass Bill 45 to allow optometrists to prescribe TPAs.

Thank you for allowing us to present today. Sorry not to have gone over all the material.

The Chair: Thank you. The questioning in this round will go to the NDP.

Mr. Prue: You've made a compelling case, as indeed some of the optometrists made last year around the time of the government announcement, of the effects that are going to be had if this service is delisted.

Can you tell me, in your own profession, how many fewer clients you see as a result of the delisting, or do you see any fewer at all?

Dr. Ha: I am seeing a drop in my patient flow, certainly. I feel that probably some patients are not coming in because they simply cannot afford to. They are definitely putting their eye health at risk, and that's very unfortunate.

Mr. Prue: I would think that, like members of the provincial Legislature, who have an insurance program and who get to go every two years, there are probably those who have a program and are showing up every two years as they always did. Seniors or children, who are still covered, probably show up as they always did. But it is the poor people—

Dr. Ha: It is the poor, the people in financial straits, who are not coming in, those people who are at risk, who should have their eyes checked. Unfortunately, the limits or the medical conditions that the ministry has listed for that group do not encompass everything, and it's just not fair for that group.

Mr. Prue: We heard, not in this round of budget debates but when the government was anticipating delisting optometry services, that optometrists found cancers that people had behind the eyes and the results of headaches and all kinds of things that ordinary doctors were not able to find. Is that part of your training? And why is it that doctors couldn't find it but optometrists could?

Dr. Ha: That brings up AVF assessments. A patient can come into my office who is asymptomatic; they may have just mild complaints of headaches. As a screening tool, as an additional diagnostic tool, I may do an automated visual field just to map their sensitivity along the visual pathway. I can even name a couple of cases. I had a 16-year-old who came in for a contact lens checkup and complained that he was not seeing very clearly in one eye. We had him come back the following week just to make sure the refraction was corrected and we still couldn't get him to see the way he did about six months before, when he was previously in. We did a visual field and it was confirmed that he had a pituitary tumour.

It is an additional assessment which the government now wants to have included in a primary ocular-visual

assessment, which I feel is not justified because it cost me over \$30,000 for that instrument to do that particular test. If that patient didn't come in—right now, he's actually going to Ohio for his cancer care, for his oncology care. It's something that he—there's no family history etc.

Mr. Prue: In terms of an increase—and I think everybody would agree that you deserve an increase—how much of an increase would you have to have just to break even, just so that for every person you saw you didn't make any money but just broke even? What is that increase, and then how much more should the government fund on top of that, which I think they should as well? But I just want to know the break-even.

Dr. Ha: I can't speak for all optometrists in Ontario, but personally, in my practice, I would have to say the chair cost for me just to do the eye examination is probably between \$55 to \$60. If I don't sell a pair of glasses, another patient who purchases eyeglasses is subsidizing that other patient or whoever is in my chair getting their eyes checked.

The Chair: Thank you for your presentation.

Mr. O'Toole: Mr Chair, with your indulgence, I'd like to recommend that the Minister of Finance and the Minister of Health seriously consider changing the RHPA and scope of practice of the optometrists to allow them to prescribe therapeutic pharmaceutical agents, known as TPAs. This change would eliminate costs, duplication and improve access for patients.

Dr. Ha: Thank you, Mr. O'Toole.

The Chair: We'll discuss that at report writing time. Thank you for your presentation this afternoon.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, THAMES VALLEY LOCAL

The Chair: The Elementary Teachers' Federation of Ontario, Thames Valley Local. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms. Lorraine MacLeod: Thank you very much for the opportunity to speak to this committee. My name is Lorraine MacLeod. I am a full-time vice-president with the Elementary Teachers' Federation of Ontario here in Thames Valley. I represent approximately 3,200 elementary teachers within our extensive boundaries, approximately 200 kilometres in diameter. Our teachers are committed and dedicated to providing for the educational needs of approximately 53,000 elementary students.

On behalf of my colleagues, I do wish to thank the Liberal government for the renewed and refreshing climate of respect they have demonstrated toward the elementary teachers in the province and for having recognized that children are our greatest Ontario resource and that the value of educating them cannot be understated. We have appreciated the pathway upon which

they have embarked to begin changes in the educational field. It is only through respect and consideration for the value of education, recognition for the professionalism of teachers and implementation of appropriate programs and supports that together we will be able to make this system very successful.

The positive changes made to date by the government are certainly overdue and they're very much appreciated. Smaller primary class sizes and the Good Schools Open initiative have made an initial difference. Focus on the needs of class size, literacy and numeracy, ESL and resources will all better meet the needs of our students. So much more is required in order to build a truly successful system to meet the needs of our students. The government has made a positive start, and the rest must now begin.

1420

Today I bring to you five recommendations which are essential to our success. They must and can be addressed through an amended funding formula.

The first topic to address is class size. The benefits reaped through a low pupil-teacher ratio are well understood, and the Liberal government's decision to cap classes at 20 is to be commended. We urge you to continue this until it is the standard.

The 2004 funding formula was not sufficient to generate appropriate class sizes last year for this current school year. In Thames Valley last spring, the existing funding formula generated proposed class sizes, based on actual enrolment, that reached as high as 36, 35, and 32 pupils in primary classes; respectively, grades 1, 2 and 3. That's 36 children in a grade 1 classroom. The junior and intermediate classes had similar numbers, with the highest proposed number at 37. Kindergarten numbers are not as easy to generate because the numbers aren't hard—it's not current enrolment—but the highest proposed generation was a combined junior kindergarten-senior kindergarten class with 29 children. Picture that: 29 children in a classroom, perhaps no educational assistant—often no educational assistant—no washroom, and a first-year teacher. The youngest of those children are not yet four years old, and not all are toilet-trained.

Thankfully, increased funding by the government to lower primary class sizes, increased allocation and flexibility removed and reduced most of these scenarios. However, we do, as of Friday, have primary classes at least as high as 30. We have junior and intermediate classes at least as high as 35, split grades and high needs. We have kindergarten classes as high as 26. I say "at least as high as" because with a longer timeline I suspect I could absolutely have generated higher numbers. Those were the ones that I could confirm by Friday afternoon.

A successful funding formula must generate smaller class sizes. What happens with this funding formula is that the 24.5 number becomes a divider. Principals sit down and re-fund it true to formula. So those are the numbers that the formula provided. Luckily, there is a fudge factor there in some places, but that's what the funding formula provided, and that funding formula

needs to be changed. We need to achieve the promised class size cap without comprising the integrity of the junior and intermediate divisions. Successes increase as class sizes decrease.

Our second recommendation is for increased preparation time. Currently, Thames Valley teachers are guaranteed, on average, 150 minutes per week. The legislation allows for 200 minutes per week. Increased preparation time is clearly an identified need.

Within our schools, some teachers are assigned an additional 50 minutes of supervision per day. So on a day when a teacher in these schools has no preparation time, they are responsible, between direct teaching and direct supervision, for 350 minutes per day. That's six hours. Add to that, and it's not an exaggeration, that in peak times some of those teachers could well be doing an additional two hours of extracurricular. If you're a basketball coach, a volleyball coach or a track-and-field coach and you're coming into your season, we have weekend tournaments. It's not an exaggeration to say that would an eight-hour day, and then those teachers begin their duties as a teacher outside of direct student contact. They begin their preparation, their evaluation, their hunting up of resources.

More preparation time is required during the school day. Much of the professional interaction that teachers have to engage in with other professionals must be done during the teacher's workday, during the professional's workday. So we're asking that the funding formula provide for adequate preparation within the working day. If we truly value student success and we truly respect the professionals who make it happen, then the funding formula must be reflective of and value and provide for that opportunity.

The third recommendation I bring to you today is the need to fund for new teacher retention. We in the teaching profession know about stress and burnout. If any of you have read any of the documentation, you know that LTD coverage throughout the province continues to escalate. There have been enough articles in the paper about that. We know that new teachers in the Thames Valley district experience stress and burnout, and consider leaving the profession. In Thames Valley, teachers know that the resources are not always available. We know that new teacher positions are often very small, they're often split, and our teachers often have to cover very long distances in order to go between two or more schools.

ETFO Thames Valley has worked very closely with the Thames Valley District School Board to meet the needs of these new teachers, to support them and to keep them within the system and thriving. The government needs to make a commitment to these new teachers also. Increased funding for new teacher programs is going to provide them with the skills and the confidence they need to keep them in the profession. Increased salary starting points and more quickly attainable movement up the salary grid will also keep our new teachers there. It will

make our profession more competitive and be much more desirable.

My fourth recommendation is to eliminate the funding gap between the elementary and the secondary. The value of providing a rich educational environment to the youngest learners, in those formative years, is well understood. Needs that are not met then don't often improve; they escalate and continue to manifest themselves, and they manifest themselves long after the formal education in school is over. To reduce the funding to our youngest children is a false economy. We reap what we sow.

The Liberal government has talked about retention programs. Retention programs place money where it may not make a difference. There's an \$811 funding gap between secondary and elementary. We're putting our money in the wrong place.

The Chair: You have about a minute left in your presentation.

Ms. MacLeod: Thank you. I may go into the question period just by a minute or two to finish.

Our fifth and final recommendation is for accountability in elementary expenditures. The government quickly demonstrated that they would embark upon a program to make real differences, and we're grateful for all those differences that we can see. It's important to the teachers in Thames Valley to know that all funding provided for elementary classrooms is being spent solely on elementary classrooms. It's important that we know that all money provided for elementary education is being spent in elementary education, for the purpose for which it was intended and in a timely fashion. We're recommending that the government require boards to prepare fully transparent budget lines and to regularly submit fully transparent, detailed accounting of expenditures. Additionally, we recommend ongoing and extensive monitoring to ensure that all funding intended for elementary education is spent as it is intended, and in a timely fashion to quickly realize the effect of the intended change.

In summary, the five recommendations would be:

(1) That the government amend the funding formula to ensure the realization of the primary class size caps promised while guaranteeing the integrity of class size in junior and intermediate divisions;

(2) That the government amend the funding formula to provide elementary teachers with 200 minutes of preparation time per week;

(3) That the government amend the funding formula to increase the starting wage, provide for more rapid movement up the salary grid, and provide supportive programming for new teachers to aid in retention;

(4) That the government amend the funding formula to eliminate that gap between elementary and secondary education; and

(5) That the government require and monitor, in each school board, fully transparent budget lines and fully detailed expenditures to ensure that all money allocated for elementary education is spent solely on elementary

education, for its intended purpose and with appropriate timelines.

Thank you. I request and hope that you will take these recommendations forward.

1430

The Chair: Thank you. The questioning in this round goes to the government, Mr. Wilkinson.

Mr. Wilkinson: Thanks, Lorraine, for coming in. We really appreciate that. On behalf of my colleagues, first of all, I'll just share with all you members how much we appreciate what you're doing. Teaching is a vocation, and we understand that. We've always considered it to be a calling.

Like many members, I get a chance to drop into elementary schools. I go and visit grade 5 because they study government, and there always seems to be that comment that it's been a long time since government MPPs have felt welcome just to drop in unexpectedly at a school and be welcomed with open arms and go see the kids in grade 5. It's a wonderful thing to do, particularly at East Williams. You should be very proud of that new school; I was visiting.

My question had to do with the recommendation 5. It's the first time I've seen this. It goes to the question of accountability with school boards. I mentioned earlier to another group that we have just recently upgraded the Provincial Auditor to the Auditor General. The Auditor General now has the ability to go and look at value-for-money audits for those large parts of Ontario where we transfer money to, including school boards. So is it your suggestion that the government of Ontario actually needs to have these value-for-money audits for school boards? You're concerned that money that's supposed to go to the elementary tier is not showing up there?

Ms. MacLeod: That would be a question that we have. Probably in any kind of a scenario where there's good communication, clear understanding and transparency everyone knows where everyone is. We would like to know beyond a shadow of a doubt that all funding designated for elementary goes into elementary, and funding designated for classrooms goes into classrooms versus perhaps transportation for elementary.

Mr. Wilkinson: I know we've increased education spending this first year and it's been very, very difficult because there's not a lot of money floating around, obviously, given the situation we inherited. I think it's something like \$1.1 billion. There has been some concern about the fact that we need to put more money into foundation grants. But we have obviously been targeting money, for example, on that Early Years initiative—Mustard-McCain. We're great believers in that.

I'd just like to get your feeling, because from other parts of education they're saying, "No, no, don't be doing that. You should be working on the foundation grants." Are you in agreement? As long as we're not resulting in higher class sizes in junior and intermediary, do you find in your own personal experience that this is being effective, that we're being able to identify kids earlier, the ones who are having problems, just like the Fraser

Mustard report told us would happen? On the ground, is this working, do you think, the smaller class size?

Ms. MacLeod: We have seen evidence in some areas of class size. I would say the picture is that very many situations are very stretched, and in my role we hear about the situations that are not working. I have no doubt that there are some situations out there working. There are many that are not. Certainly, the smaller the class size, the greater the ability to support those children; the more learning support teachers and special-ed. programs, the greater the ability to help those children.

I think I could speak for my colleagues in that we do not feel there is enough resource for special support services to support the many children with high needs.

Mr. Wilkinson: Just to put it on the record, I want to let you know, if you would pass it to your members, how very appreciative we are of the number of your members who volunteered to spend time this summer on our literacy and numeracy initiative. That has done us a world of good, as we explain to the public just how dedicated teachers are to their profession. It was tangible proof of our effort to move literacy and numeracy and the fact that when challenged and requested, teachers will rise to that; not when they're bullied, but when they're asked, they'll always be there for the kids.

The Chair: Our time has expired. Thank you for your presentation this afternoon.

Ms. MacLeod: Thank you so much, and I am appreciative of the opportunity and hope that it will make a difference.

BALDWIN STREET CHIROPRACTIC CLINIC

The Chair: Our next presentation is from the Baldwin Street Chiropractic Clinic. Would you come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to state your names for the purposes of our recording Hansard. You may begin.

Dr. Joseph Carvalho: My name is Dr. Joseph Carvalho. I'm in a private practice in Tillsonburg. We're a group practice at Baldwin Street. We are coming forward today to express some of our concerns regarding the delisting of chiropractic and specifically its impact on the radiological services. So I'm going to be touching more upon that to follow.

Our concerns are such that, since we've been delisted, one of the impacts that we didn't expect was the delisting of access to radiological services for our patients. Previously, a majority of chiropractors were using hospital-based radiology departments or other clinics which provide radiology services, and that was usually provided and covered by OHIP. So there was no out-of-pocket expense for patients for those services.

Since delisting, we just heard from the hospitals on January 1 that they were no longer going to be accepting requests from us under OHIP-based coverage, that they

would continue to do them, but there would be a charge to the patients. We just received that list of fees last week. They're reasonable fees; however, they are still fees. Our patients who are already quite strapped at paying more for their services and for their treatments are now also going to be paying for their X-rays. We have some concerns regarding these specific issues, and there are three major options that patients have now.

First of all, chiropractors are licensed to order X-rays and read X-rays with the training equivalent to a family physician. Right now, if we did need an X-ray at this point in time, the patient has three options. The first option is obviously to pay for fees themselves. The hospital department has quoted us \$36 for a low-back series and up to about \$50 for neck X-rays—very reasonable. We have a great working relationship with our hospital in Tillsonburg. They've been very understanding and helpful. In London, I understand from colleagues here, it's been a little bit different. They're charging patients up to \$100 for the same set of X-rays. So there really is no standard right now, and it's pretty much—

Mr. O'Toole: Two-tiered health.

Dr. Carvalho: It's two-tiered health at this point in time.

So if a patient cannot afford or is reluctant to do that, they can go through their family physician, which is what we have been encouraging. We have a good relationship with physicians in town; at least we try. So patients, if they cannot afford to pay for X-rays, will make an appointment with their physician, which can take two to three weeks. The physician will then review the file, which will cost the government another consultation visit, and then there's a reading fee involved when a physician orders an X-ray.

So in addition to paying what they were paying before, which is approximately \$30 for an X-ray, they're paying an additional consultation to the physician. Patients have to wait two to three weeks in Tillsonburg to see their physician, waiting in the waiting room, which takes away time from them seeing other patients who need to be seen. It's going to cost the government about two to three times more than what it was costing before. So that's one of the options.

The second option is, they can go through the hospital emergency. So if they can't wait two to three weeks to get their physician, then they can go to hospital emergency and wait for four to five hours, see the on-call emergency room doctor, and at that point they will evaluate. There will be another charge to OHIP again for an emergency room visit. In addition to that, there will be the X-rays, which will be taken again.

For most physicians, when they request an X-ray, it's because the patient needs it. We have concerns about pathology, trauma. There may be some form of concern we have that we don't want to treat without those proper services, in which case most physicians will go along with us and will in fact order those X-rays. So there

really is no cost saving for the government. This has actually, I think, been an oversight.

So we have no benefit for ordering X-rays. We do not get paid for it; we do not profit from it. It's quick access to patients, it's cost-effective and typically, right now, with the hospital, we have patients usually within two hours, if necessary, for an X-ray, and if it was not an emergency, up to two to three days, which is a far faster access to radiology services than what we're encountering right now.

The changes of delisting have had a very serious impact on us accessing X-ray services for our patients. It's very troubling and disheartening, and we hope the government will review this and perhaps, if anything, allow chiropractors to bill OHIP for X-rays, to allow the hospital bill on our behalf for X-ray services. We're not asking to get paid for them; we just want access to these services because we find they're critical in proper diagnosis and treatment.

With me today I have Linda, a long-term patient of our office, to give you a little more of a patient's perspective so you also understand what our patients are thinking and what delisting has meant to them and their families.

Ms. Linda Thompson: Let me begin quickly by introducing myself. My name is Linda Thompson. I live in Norfolk county, rural Ontario. I'm married, with three boys who range in age from nine to 14. My husband and I own a small business that has stood the test of time, despite these difficult years for the small business owner. We are what I would call middle-income, average, middle-aged Canadians.

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You may wonder why I am here and why I have a vested interest in the presentations being made today. My life has at times been a painful experience. However, I cope and would call my lifestyle healthy and active. During my teenage years, as with others from the area in which I grew up, I worked priming tobacco. As Stompin' Tom sings, "My back still aches when I hear that word Tillsonburg." During this early stage of my life as a young teenager, I began chiropractic care. I went because not only did my back ache but I sustained a neck injury when a baggie of tobacco, weighing about 50 pounds, fell from six feet above me and landed on my back and neck while I was bent over, picking tobacco. It was those long summers and that backache that got me through university. I earned an undergraduate degree at Brock University in business admin.

I followed that with 10 years working as a manager at Shoppers Drug Mart. It was during these 10 years that I saw the extreme waste of prescription medication. It is beyond belief, the number of prescriptions some individuals ingest, while I believe a healthy lifestyle has a lot to do with our health.

I have been in two serious car accidents. The first one, I was off work for approximately four months while I healed, and the second, when my car was actually totalled, I returned to work the following week. All of

that would not have been possible without the help of chiropractic care. Had I visited a doctor, I believe I would have been sent home with painkillers and left on my own to heal. The government's greatest interest should be getting Canadians back to work and feeling well. Painkillers do not have that effect. They make patients very drowsy and incoherent. In order for rehabilitation, the damaged muscles, tissues and spine alignment must be correct. I could still be on those initial painkillers—Tylenol 3—on a regular basis, but I have chosen what I believe is a healthier alternative: chiropractic care. There are many others out there much like me.

I believe in going to the doctor when the circumstances warrant, but many are there on a far too regular basis. My son, who is 14, has not had a prescription since 1997 and has only been to the doctor's once since. My middle son, who is 10, frequents the doctor's office for his chronic ear infections, although we have now gone a little over two years since his last visit. My youngest son has been about the same, two years. My husband's last visit was for an eye infection in 2001. I go to the doctor's on a regular yearly basis for my physical. The reason I point this out is because I don't believe Canadians can even begin to understand the crisis of our health care system, with the shortage of doctors, especially in smaller rural areas. This is where chiropractic care is not only essential but a simple solution.

A doctor's solution to pain is to cover it up—a painkiller—and if the system permits, with available diagnostic equipment, further treatment can be developed. However, when I booked my last doctor's appointment in the second week of September, the earliest opening was December 22. When people are in pain, it does not subside for three months while waiting to get in to see a doctor. Reality still exists. These people are often parents or, worse yet, adults looking after their parents and are trying to hold down a job. Often when I call the chiropractic office, I can get in when I want, what fits my schedule, and I come out ready to conquer the next thing on my never-ending list of things to do. If I needed to wait three months to find a solution, I certainly would not be a pleasant nor productive person to deal with.

As far as chiropractic care, I am at what I believe would be termed a maintenance level of care, whereby I attend the chiropractic office on average once a month. Before chiropractic care was delisted, I would not term my attendance as abusive but constructive, in that it has made existence bearable. I am probably in the category of people who use both health care and chiropractic care with logic. However, it always seems like those who are logical about their approach to benefits are penalized.

Now not only are we required, for our health, to pay for the whole portion of chiropractic, we will be further burdened by the cost of diagnostic testing that enables a doctor—a doctor of chiropractic—to treat us to the best of their ability. Dr. Carvalho has ordered two X-rays in order to treat both my neck and my lower back during the last couple of years. It was the aid of these two tests that

has me virtually pain free. However, because of a mild degree of associated degenerative change that exists in my neck and spine, eliminating chiropractic care would be detrimental to my overall well-being.

The Chair: You have about a minute left for your presentation.

Ms. Thompson: I am taxed, taxed and more taxed. I pay corporate taxes, payroll taxes, business taxes, personal income tax, property tax, provincial sales and goods and services taxes and, in the future, health care taxes. I really believe that I pay into the system far more than I receive back in restitution. I believe that everyone should be entitled to the health care that is required, as we live in a country that believes in equality. The point I'm really trying to make is that it is always the honest individuals who are, in the end, penalized for use of the system.

If the government is truly interested in saving money, there are some easy and visible ways, as the average Canadian, that this can be achieved. You have delisted chiropractic care and in addition decreased the services that people using this system are entitled to. My first question is, how is not allowing doctors of chiropractic access to diagnostic testing without patient cost saving you money? In the end, a patient will not pay for the test that is available at a hospital. They will make an appointment with their doctor that costs the health care system or, worse yet, they will attend the emergency room with their ailment and the tests in and of themselves will be performed there, costing far more than the amount the health care system would have paid in the beginning. Meanwhile, while waiting for either a doctor's appointment or a test, the individual has been off work. Your best interests should be to get the individual treated and back to work, to collect payroll taxes and, in the end, sales taxes, as they will have more discretionary money.

Consider: Instead of delisting chiropractic care, why not put a personal limit on attending the office of a doctor? People should be forced to think twice about calling the doctor's office for petty ailments. Doctors are the ones backlogged, not chiropractors. Ease some of their workload. Allow the health care system to top patient visits or, better yet, limit visits to the emergency room or put a limit to the number of prescriptions that are allowed, to eliminate waste. Allow chiropractors to help out in ways that the government has allowed them to be licensed. Allow Canadians equal access to the health care they choose. Don't penalize one choice over the other.

The Chair: We'll move to our questioning, and we'll go to the official opposition.

Mr. Barrett: Thank you, Dr. Carvalho and Ms. Thompson. I find the Tillsonburg experience valuable, the local increase in cost to the taxpayer, essentially, with respect to X-rays in the Tillsonburg area. I'm a former MPP for Tillsonburg. I represent Haldimand-Norfolk-Brant. In our area, many people work with their hands, they work in manufacturing and farming, and obviously there are seniors in the Tillsonburg area. I can imagine much of your caseload.

I also primed tobacco. I wasn't smart enough to get a Ph.D. It's probably just as well because my back probably couldn't have lasted that long anyway. But tobacco put me through school, and I hear what you're saying on that.

Issues chiropractic have dominated these hearings, I think in almost every town and city we've visited. Some of your local statistics dovetail well with the Deloitte study: more visits to doctors, more emergency room visits and, as you say, the increased pressure on the taxpayer. I would expect that you're submitting some of your findings to your association. I think it's valuable to get some of the localized statistics and data. Is there a mechanism there where you can go further with some of the local scene that you've documented?

Dr. Carvalho: Yes. When you're working with a hospital, like I said, in our community we've always outsourced our X-rays to try to provide our care at a reasonable cost. Right now, a lot of chiropractors across Ontario are facing the effects of not being able to order an X-ray, so patients have to go through either a physician or the emergency room. We're trying to get that information, as an organization, to the government so they understand that this is a major oversight. This is actually a huge cost and the patients we're encountering so far are not opting to pay for them. They're frustrated. They will make an appointment with their physician, they will go to the emergency department and they will get the X-rays taken, but this is a far greater expense. As I said, we do not benefit personally from this. We're not benefiting from the X-rays; we're benefiting from getting access to the information so we can treat the patient as best we can.

Our organization right now is just dealing with this issue, because we weren't really prepared for delisting. We thought it was a matter of just increasing our fees and services. The issue of X-rays is one we just encountered recently.

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Mr. Barrett: People do feel this decision should be revisited, this delisting of what is an essential health service for many. There are 600,000 names on petitions, as you know. Where will you and your colleagues go from here? You've run a very successful petition campaign. Where do you go from here?

Dr. Carvalho: I think there will be a grassroots movement that you will be seeing in the next election. You'll see chiropractors involved at a political level. We'll be out there supporting a candidate. We'll be vocal with our patients. Our patients will be active. We have decided that we have no choice; we can't be silent. We have to get politically behind people who support our interests. Until now, we've never had a political affiliation. We never told patients how we felt; we never told them which candidate would represent us the best. I think you'll be seeing that at a grassroots level. We will be active out there on the campaign trail. We will be supporting a specific party. I believe our association will

instruct us on who they believe will be the party to choose and the party to go with.

Even now, we've already mobilized a lot of MPPs in our areas. We've called them. We've spoken to them. We know which ones are working on our behalf, which ones have the interests of Canadians and Ontarians at heart. I think that will be the next step that we'll be taking on a more grassroots level.

Mr. Barrett: Thank you, Doctor. We certainly see that in many other organizations, that kind of political activism.

The Chair: Thank you for your presentation this afternoon.

Mr. O'Toole: On a point of order, Mr. Chair: I have a motion.

I move that the Ministry of Finance and the Ministry of Health and Long-Term Care reconsider their decision to disallow chiropractic access to radiological services. This change will reduce demands of family doctors for a radiological referral. At the same time, it will save unnecessary doctor visits. This change will save time and money while improving access for citizens, indeed patients, in Ontario.

The Chair: If you'll provide that in writing to the clerk, we will discuss it at report writing time.

Thank you for your presentation this afternoon.

Dr. Carvalho: Thank you very much for having us.

CONSERVATION ONTARIO

The Chair: Would Conservation Ontario please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard, and you may begin.

Mr. Peter Krause: Thank you for allowing us the time, and welcome. I am Peter Krause, chair of Conservation Ontario and the Grand River Conservation Authority. With me are Jim Coffey, general manager of Saugeen Valley Conservation Authority, who will also lead our provincial transfer payment review initiative, and members of our review team: Keith Murch, assistant CAO from Grand River Conservation Authority, and Bonnie Fox, policy and planning specialist with Conservation Ontario.

I will speak first on behalf of Conservation Ontario, providing you with an overview of the organization and our key issues, and then Jim Coffey will provide a local perspective on the issue of the provincial transfer payments as it affects the Saugeen Valley Conservation Authority.

A quick background on Conservation Ontario: It is a non-governmental organization that represents the common interests of the network of 36 conservation authorities. Conservation authorities are community-based resource management organizations working on a watershed basis. Almost 90% of Ontario's population, approximately 10.5 million people, is located within a

conservation authority's jurisdiction, where resource issues and user conflicts are greatest. It is also where a joint provincial-municipal investment is needed most. Conservation authorities deliver community-based, practical solutions to natural resource problems such as floods, droughts, source protection and natural heritage preservation.

To begin, I do want to acknowledge the provincial government's investment of approximately \$12.5 million for conservation authorities to prepare for the source water protection planning effort, and \$5 million to match local funding for repair and replacement of aging infrastructure, including flood control dams and erosion control works. These are important investments that will help protect drinking water, ensure public health, and protect lives and property from flooding and erosion. It is our understanding that the government remains committed to providing targeted funding in 2005 to continue these specific initiatives.

I also want to acknowledge the government's support of conservation through property tax relief. The approval of the conservation land tax incentive program, the CLTIP regulation, will make it easier to protect lands of natural and environmental significance. This program will be even more important as all stakeholders become involved in source protection planning and growth management.

I want to emphasize once again that conservation authorities appreciate the foregoing commitments. None, however, address the issue that I bring forward today; that is, the ongoing and significant shortfall in provincial funding to conservation authorities for the implementation of flood and erosion control programs.

Currently, \$7.6 million in annual funding is provided through the Ministry of Natural Resources for provincially designated responsibilities, and I do have for your review a report prepared by Conservation Ontario and submitted to the Minister of Natural Resources in July 2004 that examines the amount and type of funding shortfall.

The report, based on a review of the 2002 audited financial statements of the conservation authorities, shows that they experienced a \$9.1-million provincial funding shortfall, and a \$13.8-million provincial funding shortfall is projected for 2005. The report calls for:

(1) Fair, equitable and sustainable funding for basic operational activities for implementation of the flood and erosion control program;

(2) A re-instatement of funding for activities of provincial interest, including municipal plan review; the Conservation Authority Act, section 28, regulation of development, interference with wetlands and alterations to watercourses; and shoreline management

(3) An annual consumer price index adjustment to funding.

Seventy per cent—and more are coming in—of our member municipalities have passed resolutions in support of this report. The lack of adequate provincial funding to meet its own definitions for provincial transfer

payments has led to significantly higher costs being downloaded to municipalities. Conservation authorities and municipalities have reached their capacity to generate additional revenues. A re-investment by the province and sustained municipal support will allow conservation authorities to maintain current services and initiatives, as well as to develop new programs required to meet today's increasing demands.

My colleague Jim Coffey will provide some local perspective on this issue.

Mr. Jim Coffey: Ladies and gentlemen, to provide some reference, the town of Walkerton is centrally located in the Saugeen Valley Conservation Authority. We are comprised of 4,675 square kilometres, with all or part of 15 municipalities having a total population of approximately 80,000.

As mentioned already, the Ministry of Natural Resources, in its policy, commits to a 50% grant rate for eligible programs. The SVCA presently receives grants at a rate of approximately 25% for flood forecasting and warning, operation and maintenance of flood and erosion control structures, municipal plan input, administration and ice management.

When the other non-funded, provincially delegated programs—namely municipal plan review, Conservation Authorities Act, section 28, regulation of development, interference with wetlands and alterations to waterways and shoreline management—are added to the mix, we are receiving grants at the rate of 19.8%. This funding shortfall has resulted in a significant increase to our municipalities since 1997 and, as a result, we have been given a very clear message from our municipal partners that this rate of increase is not sustainable.

We, at the local municipal level, have more than kept up our end of the partnership, and we sincerely hope that the province, through the Ministry of Natural Resources, will reinvest in the basic operations of conservation authorities in 2005.

Mr. Krause: Conservation authorities are committed to watershed management and their long-standing relationship with the Ministry of Natural Resources in natural hazards management, as well as our ongoing work with the Ministry of the Environment and other ministries on source protection.

Appropriate transfer payment funding levels for the basic operations of conservation authorities will strengthen their ability to provide leading-edge watershed management in Ontario, therefore protecting public health.

Conservation Ontario respectfully requests that the 2005 budget address the shortfalls identified by increasing the MNR provincial transfer payments for mandated programs of provincial interest from \$7.6 million to \$21.4 million.

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In conclusion, conservation authorities embody a partnership of the provincial and municipal governments focused on addressing some of our most pressing water and other natural resource management issues. For this arrangement to work, there must be a fair and equitable

cost sharing arrangement in place across all program areas. The health, well-being, lives and property of current and future generations depend on it.

We thank you for your consideration of our submission. We have handouts to be distributed to the members after the question-and-answer period, and the committee did receive a more detailed submission. We'd be pleased to respond to any questions you may have.

The Vice-Chair (Mr. Phil McNeely): Thank you very much. The question now goes to the NDP, and Mr. Prue.

Mr. Prue: The funding shortfall: You had a funding shortfall of \$9.1 million in 2004 and you're looking at \$13.8 million for 2005. What is driving this? What is causing the increase? That can't all be inflation.

Mr. Krause: A large part of it is inflation. The dollars have been fixed since about 1994-95 at \$7.6 million, so it hasn't increased at all. As I mentioned, our \$7.6 million was based on the 2002 audited financial statements, but the numbers have not gone up since approximately the mid-1990s.

Mr. Prue: So there's been no increase in funding to the conservation authorities in the last eight or nine years?

Mr. Krause: Not to the operational programs, no.

Mr. Prue: As a result of that, what things have you been required to scale back; or, in fact, have you scaled anything back?

Mr. Krause: I think most of the conservation authorities have, in fact, scaled back. It could be something like reducing the number of water quality monitoring gauges in streams and rivers, cutbacks on various programs, cutbacks on some of the fund reviews, or if we didn't cut back, we would go to municipalities for additional revenue. To a large degree there was some success there, but we're getting a significant amount of pushback at this point from the municipalities.

Mr. Prue: I can understand that. Municipalities are starting to suffer pretty strongly, I think, as a result of downloading. I'm not surprised.

I'm from Toronto so I know that best, and the conservation authority there. The conservation authority has tried everything—and I'm sure all of them do that—to raise funds in other ways; everything from a paddle down the Don and donations and things that we do. How successful has that been in the province, people donating funds?

Mr. Krause: Donation of funds; I'm not sure there's been a lot of success in that. Not all conservation authorities, for example, have foundations. Some do, and some of those foundations have worked very aggressively to generate additional funds.

Just to put things in perspective, in the early 1990s, about 70% of a typical conservation authority's revenue would have come from provincial transfer payments, and at this point it's a little bit less than 10% that is coming from the Ministry of Natural Resources in terms of running our basic operations for an average conservation authority.

Mr. Prue: The amount that you are seeking does not seem to be huge. Is that the total amount for all of Ontario, the \$13.8 million?

Mr. Krause: That's correct.

Mr. Prue: So that's the whole thing?

Mr. Krause: That's correct.

Mr. Prue: I think the minister should be able to find that kind of money. I hope he does.

The Vice-Chair: Thank you for the presentation. The time is up.

TOGETHER IN EDUCATION

The Vice-Chair: The next presentation will be by Together in Education. Could you come forward. You have 10 minutes for your presentation and there will be five minutes for questions. For the purposes of recording Hansard, would you state your name. You may begin now.

Mr. John Ryrie: My name is John Ryrie. I am here today representing public high school teachers in Waterloo region. With me on my left is Rick Moffitt, representing our public elementary teachers, and on my right, Bill Brazeau, representing our English Catholic teachers. Our three affiliates regularly take opportunities such as this one to advocate on behalf of both teachers and students.

Last year at this time I was able to be thankful for three things: the elimination of the proposed \$2-billion tax cuts to corporations, the cancellation of the tax credit for private schools and the nixing of the idea that seniors should be exempt from supporting public education.

With the commitment last year at this time of \$122 million to Ontario's most vulnerable students, it looked like our new government was taking a new direction, substantially supportive of students and educators.

A year later, unfortunately, I think we find ourselves still at a crossroads. Dr. Rozanski, in November 2002, said that public education funding needed to catch up and then keep up. Ontario hasn't done that. According to Hugh Mackenzie, school boards are 6% short of the funding needed to pay for their legally required staff. The government, in real terms, has provided less than 2%. Furthermore, a report by Statistics Canada has indicated that Ontario is an aberration in our country, in that since 1996-97 our province has not been keeping pace with inflation with respect to its investment in public education.

I know that Liberals will say that they have put more money into education, as well as into health care. On the surface, this is true. But as I've just outlined, this statement masks the core issue, which is that more funding does not necessarily equal, and does not equal, Rozanski's restoration.

Asserting that we have added more dollars is not the same thing as addressing real educational shortcomings. We need to pay for the real costs of education, and we need to change the rules to do this. I'll give you a quick example. As you know, because the Minister of Edu-

cation has highlighted this fact, Ontario's secondary school dropout rate has jumped from 22% to 30%, which is a huge increase—it's astronomical. What's clear to every teacher in the province is that we have some very disadvantaged students who need small classes in order to succeed, but the legislated 22-to-1 ratio kills that possibility. Every time we want to create two classes of 14 for our least able students, we need to create a class of 38 in order to reach the ratio, and I've got the math here to show you. To put it bluntly, this is insane. High school students do not thrive on classes of 38, and our teenaged students are younger than ever since we no longer have a fifth grade in high school. Yet at the moment, we are penalizing the students who are most at risk of dropping out, since we can't make their classes small enough to serve them.

I think two remedies are possible: either a reduction in the ratio to something like 20 to 1, which would give us more flexibility, or separate funding for essential courses so that they can be smaller in size. In either case, we're talking about substantially more teachers, which means substantially more funding.

What this example demonstrates is that you can't restore education through efficiencies—through bigger schools, fewer supports, simplistic formulas—because these only hurt kids. You can't claim to follow Dr. Rozanski's recommendations but then leave out his most important recommendation: the updating of benchmarks that create proper ongoing funding support for core employees, and you'll see a chart on page 7. This deliberate exclusion only breeds contempt and distrust among teachers, who can easily see that once again they are being asked to pay for the service they are providing, which is unfair and a form of social hypocrisy. Lastly, you can't build a future for the students of this province on deferred attention to their needs or deferred support for secretaries, custodians, educational assistants, special-ed. experts and teachers. In a nutshell, our schools need substantial reinvestment, not financial shell games. All three parties need to make real reinvestment in education a budget priority. If finding such revenue requires a fairer tax system, so be it—unfortunately, I don't have enough time, and that's probably a discussion for another day.

If you turn to page 8, you'll see the figures that have been provided by the ministry with respect to the amount of extra money that's being provided to make the artificial two, which was provided last spring, which was based on old funding formula numbers which weren't accurate and didn't reflect the real cost of teachers. These are the funds that are being provided to update that to something that's supposed to be two but still isn't because it doesn't include an increase for benefits, for example. If you look where I've got an arrow, at Waterloo Region District School Board, and follow your eye across to the secondary figure, it's \$129,145. If you divide that by the 1,200 secondary teachers we have, it works out to about \$107 a person. Divided by 52 weeks, it works out to about \$2 a week, which, after taxes, works out to about a buck. So the government has put forward

an additional buck a week, a Tim Hortons a week, in order to get deals with our members who aren't even getting the real two through this funding. That's a big problem, and I think it's exacerbating our ability to get agreements, because we don't have any across the province.

I'll leave it at that.

1510

Mr. Bill Brazeau: My name is Bill Brazeau, and I'm president of the Catholic teachers of Waterloo region. I represent both elementary and secondary teachers.

I wish to commend the current provincial government for spending less time and money on standardized testing. Local boards certainly have the staff and expertise to accurately identify and address student weaknesses at a fraction of the money spent by EQAO in previous years.

Substantial savings from EQAO could go to two other key needs. In Waterloo and elsewhere, funding is required to bring back specialty teachers in physical education, music, art, guidance, library and technology. The years of the previous government did a lot of damage withdrawing these teachers from our systems. The absence of these teachers in Ontario's elementary schools and the reduced possibility of elective courses in the four-year secondary system are eliminating lifelong involvement in the arts and closing doors to viable careers. It's obvious to me, and it should be obvious to all of us in the room, that a significant number of families in our province cannot afford instruction in these areas outside the education system. If you are really serious about restoring our schools—dealing with obesity, youth violence, unhealthy lifestyles, lack of literacy, poor career choices—you need to find the funds to put our specialty teachers back in.

We also need government funding for a solid mentorship program. Simply put, Ontario is not holding on to its beginning teachers. Thirty per cent leave in the first five years. Recently, the average age and experience of teachers has dropped, and there is no one left in our boards to mentor our youngest teachers and bring them along. The curriculum is harder and the students are more challenging, but nothing is in place to stop the teacher dropouts. What a waste. The effect of a well-funded mentorship program would be easy to identify. The young teachers would stay and would be more skilled.

As John has already said, our school system needs more funding and concrete supports, not deferred hope.

Mr. Rick Moffitt: My name is Rick Moffitt. I'm pleased to be here as the communications officer for Waterloo region's 2,500 public elementary teachers. I'm going to echo some of Bill's remarks, but I'd like to comment just quickly, if I could, as this is for Hansard, that John O'Toole has chosen not to sit at the table while the teachers have come to do their presentation. It's something we got used to over the years, but it's always worth noting.

I'd like to begin with two simple statements: Thank you for what you have done in the past year, and please do more.

For too long, Ontario's students have been subjected to a patchwork of education policy and patchwork funding. What we really need is a framework for sustained improvement, a framework that supports our excellent education workers and a framework that enables our students to demonstrate their excellence.

Elementary teachers have two major issues they need addressed by this government. The first is a demand for adequate preparation time, and the second is a return of specialty teachers to our teaching panel. By a happy coincidence, what would flow from the implementation of these two simple acts is a reduction in the amount of excessive, unproductive supervision time currently burdening our profession.

We need education funding that honours the legislated right of elementary teachers to 200 minutes of preparation time per week and a funding formula that provides boards with the capacity to meet this minimal expectation. Forty minutes a day was established in legislation as a minimum, not a mystical, magical dream to be strived for. In fact, prior to Bill 160 and all the Conservative cutbacks, the public elementary teachers in Waterloo region had precisely that—a minimum of a period a day for preparation and planning—and we valued this time so much that twice in the last six years we took job action not over wages but rather to try to keep our specialty teachers in the system and to retain the daily minutes for professional work that their presence created for everyone.

In addition to the need for prep time, we face another pressing and immediate challenge: teachers leaving the profession. Why can't we retain our newest teachers, especially our men? Why don't they stay? What they repeatedly cite as reasons are low starting salaries, lack of resources and government policies and pronouncements that convey that their work is not respected or valued. All of these could be addressed by provincial initiatives. Many will require money.

In conclusion, the three of us would like to thank the current government for their initial efforts to improve teacher morale, for their oft-stated respect for the profession. But we now ask that the government follow up on those on these first steps by completing the full implementation of the Rozanski recommendations by funding Ontario's educators and school employees to a level that fully reflects this avowed respect. In this direction lies the stability that we both wish to achieve.

Thank you for your time. We'll take questions.

The Chair: Thank you. This round of questioning will go to the government.

Mr. Wilkinson: Thank you so much for taking time to do this. It's amazing, the three gentlemen before us. As we've always said, we understand that teaching is a vocation, and you take time from your vocation to do the work that you do for your associations. That's very, very important.

I have a couple of issues that I wanted to raise with you specifically about the retention of new teachers. We hear more and more about this and concrete things that

we can do to make that happen. In preface, we want to say that we do appreciate the patience that you've shown our government as we try to get a new working relationship with teachers in this province and sort through some of the fiscal challenges, I guess, that we have that are greater than we had anticipated. My concern is that if we're losing this resource, particularly men—and we'll talk to that, Bill, about men in elementary schools—you've mentioned the prep time, but, concretely, what are the things we can do to value their contribution, to send that signal? I don't think our government has said anything negative about men being teachers in elementary schools, but what a great influence they are. I know they were for me personally. Can you flesh that out for us? That would help a great deal.

Mr. Moffitt: I'd be happy to. I can tell you what our local is doing in Waterloo region, because we believe strongly in this. We need to put programs into place that allow teachers to develop one-on-one relationships with experienced teachers when they're new teachers. Too often, what gets done is the school board puts together programs that are either professional development types of activities or coaching types of activities—indoctrination types of activities—and that's really not what new teachers need. New teachers need to know what to do when the kids stand up and they talk, when the classroom management issues come to the forefront, when they look at long-term planning.

The easiest way to find out what the needs are is to survey them. In Waterloo region the elementary teachers did that three years ago. Last year we ran a pilot mentoring program, and this year we're running it again. Last year we had 37 of our 53 first-year teachers sign up for a program that was paid for just by the locals. What we did is, we provided release time during the school day, which is what new teachers need, because too often, when the bell rings, they spend the next few hours trying to figure out what they're going to do the next day, and they don't have time. We release teachers to come in for training sessions in our offices. We paired them up, and we managed to give them two half days each, the costs of it picked up by the federation. It's a start, but it's not enough.

This year we've expanded it. This year we have a much higher participation rate. We've got 60 out of 87 first-year teachers taking part in the program. We've got 40 mentors. We've managed to reduce the mentors from a 3-to-1 ratio to a 2-to-1 ratio, and we have more time freed up for the training. That's what you have to do; you have to give them the time to do this. You have to give them time to visit with an experienced teacher in their classroom so that they can observe the tricks of the trade. You've got to give time for the experienced teacher to come into their classroom and observe those new teachers teaching so that they can give them feedback that's personal, that they can use in their own classrooms.

Mr. Wilkinson: That's very impressive, that you're doing that. That's wonderful.

Mr. Moffitt: And we're doing that at great cost. If I could just add, our local spent \$17, 000 last year, and this

year we are spending \$22,000 out of our federation funds. We have twice, both years, asked the school board to partner with us, but quite simply, there is no funding line that allows for this right now, and so they're unable.

The Chair: Thank you for your presentation this afternoon.

Mr. O'Toole: On a point of order, Mr. Chair: I just wanted to point out that my name was mentioned, and I indeed was here for part of that presentation. I was meeting with—

The Chair: That's not a point of order.

Thank you very much for your presentation this afternoon.

1520

McMASTER UNIVERSITY

The Chair: I would call on McMaster University to come forward. Good afternoon. You have 10 minutes for your presentation. There might be up to five minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard, and you may begin.

Dr. Peter George: Thank you, Mr. Chair. My name is Peter George. I am the president and vice-chancellor of McMaster University. I would like to begin by thanking the committee for giving me this opportunity to present some thoughts about post-secondary education and research in Ontario.

In the next few weeks, Bob Rae will be tabling his review of post-secondary education in Ontario. Mr. Rae has been forthright about the funding problems faced by our colleges and universities and the link between prosperity and investment in higher education. I hope this committee will have an opportunity for careful study of the recommendations of his report before that final report is submitted to the Legislature.

You've heard this morning from my colleagues from the Council of Ontario Universities and from the University of Western Ontario. They provided you with their insights and advice on the Rae review. I don't want to go over the same ground, but I have a few observations of my own before turning to the important topic of university research.

Most people in Ontario agree with Mr. Rae that public investment in post-secondary education delivers significant benefits to the community. They likely know that university graduates earn more and have higher rates of employment than other groups of graduates. University graduates make up about 15% of the population but pay 35% of the personal income taxes collected in Canada.

Other contributions to the social good are less transparent. For example, university graduates place fewer demands on public health care, welfare and criminal incarceration services, more often take leadership positions in political and voluntary organizations, and have higher rates of philanthropic and charitable giving.

The clearest affirmation of the value of post-secondary education is that most parents want their children to have a university education, or a college education. They con-

tinue to send them to Ontario universities and colleges in record numbers. This is undoubtedly recognition of the individual benefit of higher education.

The TD Bank economics group, for example, recently estimated that a post-secondary education pays a real after-tax annual financial rate of return of more than 12%. Perhaps even more important are the many non-monetary benefits, which include better health, longer lives and the opportunity to make more life choices.

We've all had personal experiences with young people who have benefited from post-secondary education, and the thought that even one of them might have been denied access for lack of financial resources or a lack of space in the system is unacceptable to most of us. Why, then, is there not more interest in or support for building the best possible universities and colleges? Why do debates about higher education focus almost exclusively on tuition fees rather than quality?

First, I think the need to invest in quality is not well understood by the community or even by our political leaders. People do not make a distinction between funding increases that are needed to meet increased enrolment and the funding needed to keep up with the quality improvements of our major competitors in Canada and the United States, or to meet the quality requirements that arise from Ontario's own strategic needs. Indeed, the only real funding increases for educational purposes in Ontario post-secondary institutions have been directed at enrolment growth, with particular focus on the double cohort. Accessibility has certainly captured the public and, hence, the government's attention, but quality has not.

Second, students and their families are most focused on lower tuition because the immediate benefits to them are more obvious. Governments have been drawn into short-term responses to these concerns. However, there is a need for firm political leadership with a longer-term vision that recognizes that investment in a quality education, rather than simply a low-cost education, will better position graduates and society for the future.

The role of universities in the inspiring and nurturing of innovation also needs to be more clearly understood. University research saves lives, leads to new commercial products and processes, provides analyses of pressing social issues and problems, and exposes us to new forms of creative expression. Nationally, university research has been estimated to add \$15 billion to Canada's GDP per year, creating between 150,000 and 200,000 years of employment annually.

In addition to the social and economic benefits of our research, Ontario's research-intensive universities produce the highly qualified personnel needed by an advanced economy. For example, in the case of our health care system, the foundation of strong health care is the education of health professionals and support for the researchers engaged in the development of new medical approaches and treatments.

Over the past decade, government leadership has made a significant difference for university research in this

province, enabling Ontario universities to take their place among the top universities in the world. Toronto and McMaster are ranked in the top 100 in a recent academic ranking survey by the Shanghai Jiao Tong University.

McMaster's experience illustrates how careful strategic planning can make a difference. For the past 10 years, we have focused on building our areas of research strength and promoting interdisciplinary work. This focus has brought McMaster success in its research enterprise and has been noted by those who rank universities' research performance.

In Research Infosource's most recent report on sponsored research funding at Canadian universities, McMaster ranked second in Ontario in total funding and first in research intensity—funding per full-time faculty member. We are proud to have been named Canada's 2004 research university of the year by Research Infosource.

Five Canadian universities were ranked by the Scientist magazine in the top 10 places to work in the world in academia outside the United States. Two, including McMaster, were from Ontario. This recognition, while gratifying, does not tell the story of jobs and the economic and social benefits that the university creates for the community and the province. We estimate the economic impact of McMaster's research alone to be about a \$525-million annual contribution to Canadian GDP, predominantly in Ontario. McMaster is a major source of vitality in the Hamilton economy, which has experienced a number of setbacks in recent years.

The research ranking does not tell the story of the practical discoveries and innovations that make a difference for Ontario businesses. Let me give you one recent example from McMaster's manufacturing research institute, as reported in AutoPlant Magazine in November 2004:

"A research team led by engineers from McMaster University in Hamilton has developed a promising new automotive process to machine car engine blocks. The process is said to be faster, cheaper and better for the environment than existing methods....

"Researchers believe the McMaster engine block project will give the Canadian car industry a significant leg-up in global auto trade."

There are many more examples of new technologies and new ideas that I could have cited. On any given day, there are more than 2,000 funded research projects underway at our university, ranging from developing new vaccines to studying globalization and how it relates to public policy, to finding better ways to make engine blocks. The scope and scale is multiplied many times when you take into account the research activities of all of Ontario's universities.

McMaster's strategic plan identifies the university's role in economic development, and our mission statement affirms that "we serve the social, cultural and economic needs of our community and our society."

Earlier today, we made a major step toward the realization of that plan with the announcement that

McMaster University is acquiring the property formerly occupied by Camco as the site for our new research and innovation park. We plan to turn an abandoned 36.7-acre industrial site into: a source of new energy and jobs for the Hamilton economy; a critical component of the R&D infrastructure to support and grow the auto/materials and manufacturing cluster, the biotechnology cluster and nanotechnology in Ontario; a centre for commercialization of university research; an incubator for innovative start-up businesses; a training centre for graduate students, undergraduate and college students, and highly skilled labour needed for the auto/materials and manufacturing sector; and a globally recognized centre of expertise in materials and manufacturing research, biotechnology and nanotechnology.

You may also be aware of our memorandum of understanding with the city of Burlington, announced on September 30 last, agreeing to explore the possibility of establishing a McMaster campus in that city, focused on an innovative, integrated program in the arts, technology and leadership.

1530

Some of our research and innovation effort is devoted to the way we teach and the way students learn. I think that is something I want to emphasize particularly. We pursue excellence in learning by integrating teaching and research. We've been a leader in developing problem-based learning, first in our medical school and subsequently the inquiry model of learning, where with the support and coaching of instructors and senior students acting as mentors, students take responsibility for their own learning.

The process of research and discovery is vital. It leads to new products and processes, even new approaches to learning that support the growth of jobs and business in our economy. New ideas, creative ways of thinking and innovative approaches to problem-solving are the hallmarks of research-intensive universities. Society benefits, as do students who learn to open their minds and focus on the undiscovered rather than the status quo. It is how we create leaders. It is how we create the human resources needed to adapt to and compete with technologies and other developments from around the world. It is how Canada and Ontario will remain competitive internationally.

In your hearings, representatives of post-secondary education have and will continue to make the point that there is a serious need for increased funding. But I often ask, is it really the role of universities and colleges to tell government of the value of post-secondary education and the importance of quality? We have at least the appearance of a conflict of interest if our advocacy is too vocal, but it is imperative that we provide you with the appropriate ammunition.

Universities and colleges will help in this process by working with government to develop objective accountability mechanisms and performance measures that I am confident will confirm the value of the investment we are asking government to make in post-secondary edu-

cation—not just the economic impact, as important as that is, but we must also measure the quality of the student experience, learning outcomes, research production and the broader impacts that post-secondary education has on our social institutions, our culture and civil society.

But right now, government, with the support of this committee, needs to demonstrate leadership by finding, among competing priorities, the resources that are needed to secure the vital and diverse role of the province's post-secondary institutions in Ontario's long-term prosperity. McMaster is ready and anxious to be an even stronger partner in Ontario's future success.

The Chair: Thank you. This rotation will go to the official opposition.

Mr. O'Toole: Thank you very much, Professor, or Doctor, I guess.

Dr. George: Peter.

Mr. O'Toole: Peter. I appreciate the emphasis you put on the value-added component of a post-secondary, knowledge-based economy. I find that I would agree.

I just want to put on the record that in my riding of Durham, I was privileged to attend a presentation at the University of Ontario Institute of Technology by a professor who was working collaboratively with Waterloo, and perhaps with McMaster and other universities, in a research project dealing with fuel cells. They have pursued and are trying to find R&D focuses, and one of theirs is certainly the energy file. The Premier's excellence awards and other rewards or incentives for the commercialization of this R&D are extremely important. I'd encourage the government in their budget not to cut back on those areas but indeed to invest.

I want to put to you basically two questions that are a little bit outside the box—and I don't want to misdirect you—on the importance of what you've said here on innovation. The centres of excellence—they've just announced another centre dealing with energy. The centres of excellence in academics—I recruited for a large company for about 10 years. McMaster has one of the top programs in engineering; engineering management at McMaster is a widely respected program. The University of Toronto, Queen's, Western, Waterloo, probably McMaster and maybe even others are well recognized as sort of being tier-one universities—not to discredit the others. My first question is, would you treat what I would call these centres of excellence with different benchmarks when it comes to funding? That's really the issue. There's the operating issue, and then there's research and grant monies which go to special initiatives.

I've heard and watched for a long time: In biomedical, you're very heavily involved with Hamilton Health Sciences; your teaching faculty is well regarded, certainly in family medicine. These are also centres of excellence that are a coexistence of the health community, workers and researchers, along with the university on the academic side of it. They should be funded by the federal government, not just in the pharmaceutical area, because they provide a value infrastructure for all of

Canada, and perhaps the world. They build infrastructure themselves, in the pharmaceutical sector as well as new appliances and electronic equipment. Teaching hospitals themselves, like Sick Kids, McMaster, the London Health Sciences Centre here and the University of Ottawa Heart Institute, treat people from across Canada for special kinds of things, as they should. The question is, shouldn't those centres of health excellence be funded by the federal government?

Those are the two areas I'd like you to respond to that aren't exactly in the normal script.

Dr. George: Thank you for your positive comments about my university. I appreciate that.

Treating centres of excellence differently: I think the key issue here is the provision of the full cost of research. There is no doubt that research-intensive universities, until recently, were quite disadvantaged under the current funding systems. But in the late 1990s, the federal government and then the provincial government began to contribute toward the indirect costs of research, which enabled universities to be much closer to a position of having funding for the full cost of research. As long as the full costs of research are provided by a combination of federal and provincial sources, the research-intensive universities will not be disadvantaged and will be able to expand their research activities into areas of provincial and national priority. I would say the key issue there is funding the full cost of research for research-intensive universities.

Mr. O'Toole: Would some of that be part of the commercialization bridge between the academic research component and the application side? I was involved in that a little bit.

Dr. George: Let me just follow up, because I think there are two dimensions to this. The first is, how do you allocate research funds? I think the emphasis on allocating to excellence determined by peer review is still by far the most important mechanism for allocating research funds. There are a lot of political pressures, I know, to shore up some universities. Smaller universities will argue for a level playing field and so forth. But I think the key to the future development of R&D in this country is to support excellence and support the full cost of funding that excellence.

Second, on commercialization, there has been a major change in direction over the past 25 years or so. Twenty-five years ago, not many professors were interested in the commercial applicability of their research. Now our professors, including the young ones just coming into the university system, are very keen on pursuing the full spectrum of research. Their interest in commercialization is palpable. I think it's something that's quite exciting. That's why I mentioned particularly our planned industrial research and innovation park. It will allow those individuals to go to that next stage, to the research incubator capacity, to commercialize their developments for applied research and technology. I think the more research-intensive universities that can develop those kinds of applied research parks, innovation parks, the better off we will be in promoting investment in knowl-

edge-intensive industry. Then our graduates from both our honours and our graduate programs will become the human resource personnel needed to make those world-class industries.

The Chair: Thanks for your presentation this afternoon.

Dr. George: Thank you. Sorry I didn't get to answer your question on the medical centre.

1540

CANADA'S RESEARCH-BASED PHARMACEUTICAL COMPANIES

The Chair: I would call on Canada's Research-Based Pharmaceutical Companies to come forward.

Mr. Wilkinson: Mr Chair, on a point of order: It's my understanding that the Ontario Pharmacists' Association did submit to present in front of this committee. They weren't selected, but they did request before the deadline. I would ask for all-party support that if time is available on Thursday in Whitby and it doesn't take away from anyone else who has agreed to come, they be allowed to present.

The Chair: Do we have unanimous consent? Agreed, if there is an opening.

Good afternoon, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Geoffrey Mitchinson: Thank you very much, Mr. Chairman and members of the committee. My name is Geoff Mitchinson. I'm vice-president of public affairs at GlaxoSmithKline, and I'm accompanied by Zenek Dybka, who is director of Ontario relations for Canada's Research-Based Pharmaceutical Companies. Today we are representing Canada's Research-Based Pharmaceutical Companies with respect to your pre-budget deliberations.

We've handed out a detailed summary of our recommendations, so I will touch on the high points in the time allotted.

Our point of view is that we're at a significant crossroads with respect to the Ontario drug benefit plan and the role which that plan plays not only in helping Ontario patients but also as an engine of significant economic growth in the province. The gist of our presentation is that the money spent on the Ontario drug benefit plan is one of the best expenditures you can make within health care, for two simple reasons: It has the greatest impact on patients, and it has an ancillary and significant impact on the economic well-being of the province. Let me examine those two issues in brief.

Over the last 20 years, we've had what I would call a silent revolution in health care technology and the benefit that's had on patients. As an example, death from respiratory illnesses has dropped 64%, heart attack deaths are down 57%, and death from AIDS in Canada has dropped from 1,600 a year in 1996 to 53 last year. In every one of those instances, you can identify that relative to the introduction of a new technology, typically

a pharmaceutical technology. In terms of hospitalization, which is one of the more expensive ways to treat patients, ulcer admissions are down 75%, diabetes admissions down 44%, respiratory disease down 44%, and HIV/AIDS down 42%.

In effect, new technologies have permitted two things: (1) longer, better quality of life, and (2) reduced admissions into hospitals, which are enormously expensive. I don't know the last time anybody would have heard of somebody entering the hospital for treatment of an ulcer. It's very rare nowadays. In fact, what used to cost \$700 now costs about \$20 a year.

In terms of heart attacks, at least when I was growing up—and I don't like to think of myself as that old—if you had a heart attack, you were basically in the hospital and there were high hopes you might recover. If you did, you probably went home and you led a somewhat restricted life from there on in. Now it's highly likely, if you have a heart attack—if you do at all—that you will lead a productive and dynamic life ahead, again with the introduction of new technologies.

We've seen this revolution sweep across the health care system over the last 20 years, largely based on the advancements in medicine and in pharmaceuticals, and 90% of those discoveries came from the research-based pharmaceutical industry. But the story really doesn't stop there, because in terms of Ontario, our industry has a significant economic presence.

In fact, there are 29 member companies with head offices in the province and we employ 9,000 people. In 2003, we invested \$537 million in research and development. That research and development is recorded through PMPRB, which is the Ottawa-based oversight group that looks at pharmaceutical research and development. That is the equivalent of one auto plant every two years. Dr. George has referred to McMaster's new biotechnology campus and the many others. That's largely where this type of investment goes: to fund clinical research, start-ups of new biotech companies, and Ontario-based introductions of new technologies, including investments in the Discovery District in downtown Toronto. Really, we have a duality of issues and opportunities here. One, investment in new technologies gives patients greater quality of life, greater benefit, and helps reduce costs in other parts of the health care system, and at the same time it helps generate and drive a dynamic biotechnology/pharmaceutical industry in the province of Ontario.

As an aside, and we highlight this in our document, a dollar invested in newer medicines tends to save \$6 to \$8 in other parts of the health care system. About two thirds of that saving comes in the form of reduced hospital costs, and about one third around physicians. In reality, we can derive much greater utilization of the system through investment in new technologies, as it does reduce costs in these more expensive ends of the system.

As it relates to the Ontario drug benefit plan, we feel there has been a tremendous amount of criticism of it, and probably pressure put on it in terms of whether it's growing at the right rate and how much should be

invested in it. Just to set the record straight, the Ontario drug benefit program represents 10% of the overall Ontario health care budget, and the actual patented drug component of that is 6.5%. The remainder are generic drugs and the costs of distribution and pharmacists' fees. The Ontario drug benefit plan is growing largely because of the fact that those technologies and prescription medicines are actually displacing other services, as I've previously indicated, be those hospital or physician. In fact, the actual prices of pharmaceuticals dropped about 1.1% in 2003. The growth in the drug plan is largely related to increased utilization of new medicines.

So what we would look at is a careful examination of the Ontario drug benefit program, where to make additional, selective investments to improve health care of Ontarians, to help improve the economy in the province through the continued growth of the R&D base, and to seriously look at the time it takes for new innovations to make their way into the province. Right now, Ontario takes an average of 500 days after the approval of a product to make a decision on a new therapeutic entity. There is often very little reason why that has any benefit either to the province or in fact to patients.

Let me simply close by saying that we have discussed with various governments of all political persuasions the opportunity to radically increase the investment of our industry in R&D in the province and to help figure out how to make the Ontario drug benefit plan the most efficient it can possibly be so that we have rapid introduction of new technologies, as well as the benefit that provides to Ontario's patients.

The Chair: Thank you for your presentation. In this rotation we go to the NDP.

Mr. Prue: I probably didn't catch the financial implication of all of this, other than that you are looking for perhaps some kind of tax incentive to further expand the industry in Ontario. I understood that. But in terms of the rest, you've made a telling point, I think, in terms of why the drug costs are going up: because they're displacing other medical methods. But I find it a rather strange presentation to make to a budget and finance committee. Have you made similar presentations to the Ministry of Health, where it seems that would be far more logical than here?

Mr. Mitchinson: We certainly have. A couple of points: We're actually not looking for a tax incentive, just to be clear. The reality is that the Ontario drug benefit plan will be growing because there is an advent of new technologies. We're simply suggesting that an efficient, rapid introduction of new technologies and working with the industry to increase R&D investment in the province is just a prudent way to use your procurement money.

When it comes to the finance side of it, we're in front of this committee because the finance committee ultimately, in the preparation of the budget, decides what the Ministry of Health can effectively do. We want to ensure that there is an education and understanding that as budget advisers you can invest more in hospitals, you can invest in physicians and you can invest in pharma-

ceuticals; we would simply argue that the investment in new technologies has yielded tremendous benefit to the province and to patients.

Mr. Prue: You did make a statement in here—it's rather long, and you said much less than what's in this document—about the 500 days for research and development. That's what it is now. How much did you want to cut it down to?

Mr. Mitchinson: In terms of the 500 days for review by the Ontario drug benefit plan, I guess we would argue it probably should really be zero days in the sense that Health Canada has already approved a product when it arrives on the market. Much of the data, in terms of the economic value of the product, are already established. The question is what the benefit of that almost-two-years subsequent review within the Ontario drug benefit plan is really yielding to the province and to patients. I guess the short answer is that it probably should be relatively few, if not zero, days, but certainly a year-and-a-half waiting time we would view as unacceptable.

Mr. Prue: You make a compelling case. We have seen other statistics from other presenters in terms of how long it takes to get a new drug on to the market, and it looks like it's about 10 years or so. You're not looking to any additional cuts in there, or are you? You're just looking at the very last stage.

Mr. Mitchinson: Yes; in fact, that is what the Ontario government has control over. If I were to take the economic side of that argument, as Dr. George and I'm sure other university presidents referred to, the reality is that to establish a vibrant biotechnology base in the province, particularly in companies where their burn rate of capital is incredibly important to them, you actually do need to be in a position to rapidly bring products through the research cycle, through the approval process, and then actually create a market for them through approval in programs like the Ontario drug benefit plan. So I could argue there's an interest on both sides of that, but right now you have control, as a committee and a government, over the time for listing.

1550

Mr. Prue: If that 500 days was eliminated or squeezed down to maybe 100 days or less, would that allow you to sell the drugs, once they're on the market, for less money? It's a whole year or year and a half of waiting around, which must cost the pharmaceutical companies an enormous amount of money if they're ready to go.

Mr. Mitchinson: Actually, no. Right now, the price is established through a mechanism in Ottawa which basically sets the rate. What it would allow us to do—and what we're talking to the government about is whether or not we could create a much more dynamic investment base in the province. We believe that Ontario should be seeing investment of between \$1 billion to \$2 billion in research and development per year, as opposed to the \$537 million right now. By creating a vibrant market in the province, we believe that that is achievable, and we'd like to work toward doing that.

The Chair: Thank you for your presentation.

Mr. Colle: On a point of order, Mr. Chair: I would like research to request that the Ministry of Health explain why it takes 500 days, on average, to list these products. You could make that request. It's on page 5 of the presentation.

Mr. O'Toole: On a point of order, Mr. Chair: I would move that the Minister of Health work with the federal drug quality and therapeutics committee on streamlining the drug approval process. This would enhance access to more efficient and effective drugs while eliminating the duplication between the federal and provincial drug approval processes, getting drugs on to the Ontario drug formulary sooner and improving patient outcomes.

The Chair: Thank you. If you would both put that in writing for the researcher, it would be a help.

Mr. Colle: On a point of order, Mr. Chair: I move that after the next speaker Mr. Paul Collins, president and CEO of St. Thomas-Elgin General Hospital, be allowed to make a presentation.

The Chair: For 10 minutes?

Mr. Colle: For 10 minutes.

The Chair: Do we have consent? Agreed.

SUSAN SMITH

The Chair: I call on Susan Smith to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes for questions. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Ms. Susan Smith: I'm Susan Smith. I want to thank the committee very much for your indulgence to let me present today. I very much appreciate it. The Chair should know that I didn't get here today on a school bus, but I would feel safer today getting here on a school bus than I have in the past, and that is to the credit of the Chair and some of the legislation you got passed as a private member.

The documentation that I brought references—I'll talk a little bit about the city of London budget, but just in the context of the sentiment that's percolating up from the grassroots. My presentation will vary drastically from what was presented this morning by the deputy mayor of the city of London, however.

Just to back up a bit, the signature of this government might be a number of things. I would like to suggest that you do not want it to be the 48-hour workweek as of right. I think that is falsely competitive with other jurisdictions, and I believe it's an error that I hope gets changed before the end of your term. I have no doubt that a subsequent government at Queen's Park, a minority government, would remove that. It was passed last December.

However, I do want to give credit where credit is due. There's an old Chinese proverb: The superior, exemplary physician prevents illness; the mediocre physician begins to recognize illness and treat it right away; the lesser physician treats illness.

I believe that the hallmark of your government can be that you are setting Ontario on a different route for health and wellness, and I applaud you for that.

There's a number of things specifically in the area of community care I wanted to address. It's quite specific. You have appointed Elinor Caplan as one of your consultants to do some work for you, and I would strongly suggest the suggestion of the pension plan accessibility into HOOPP for all contracted employees with the community care access centres. I think it is really important that all providers all along the continuum of health care have that for job security.

Locally, the CCAC has a 25% turnover in staff of the various contract organizations that have employees, and that's not really good enough, given that this is the next step-down care right out of the hospital. Our local CCAC does a tremendous job among the different organizations that are contracted to CCAC. They have a lot of collegiality among the wound care specialist teams.

I was one of two members of the public who attended when Ms. Caplan had her consultation here. She asked really good questions, but one of the things that appeared to unanimously come out of it, just at the consultation level, was that all employees, whether professional therapists or home care workers, get 100% continuity of benefits as well as eligibility in the pension plan. So I think that's one of the ways to look forward in health care.

I know Mr. Smitherman is really sincere. Somebody should tell him, though, that Bob Rae's hair turned white about 1986, and that was when the Liberals had a minority government and subsequently formed a majority government. So he is to be applauded for his anti-tobacco initiatives and anti-smoking initiatives, because I think that, literally, health and wellness can be the signature of this government, should you choose to persevere.

On the issue of energy and electricity, I'm suggesting you prepare a reserve fund to purchase excess electricity generated by green power producers. However, there's a policy flaw which derogates to the local electricity distribution company to decide if it wants to permit net metering for any project or utility facility that produces up to 50 kilowatts of power—I believe January 4 was the date of the regulation—and I think it's time to reward those who want to clean up our air and increase Ontario's supply of clean green energy.

However, London's situation is that, a few years out, we may end up having to sell our local utility. Right now, the municipality is the sole shareholder, and the way the finances are being managed for the city, it may be that the only politically appealing choice a few years out—given that there are a lot of 20-year debentures out there, as well as 10-year debentures on city borrowing—would be to sell the utility.

I did quite a bit of running around today, actually, and got the agenda for this coming Wednesday board of control. The board of control—and sure, institute one with the city of Toronto; it can't hurt anybody—has London Hydro coming before it as a scheduled appointment this coming Wednesday at 11 in the morning. They're

presenting their business perspective. So I'll leave a copy of that with you.

But today at the committee of adjustment with the city, a lawyer for a property explained that the severance that he was going for, and a minor variance at the committee of adjustment, was to sell the public utility some more parking space. I checked with the city's appointee, who is on the utility board, who says that that did not come before the board as a capital purchase at any of the recent board meetings.

So I guess my concern is that I still look to the province to have it play a regulatory role, that electricity is something that, really, in Ontario, most of us don't choose to live without and that it needs to be affordable in a continuous loop of affordability.

1600

I'll certainly commend you. Please do not lower tax rates. If you ever consider changing the tax regime, don't consider lowering income taxes. You can work toward lowering the provincial retail sales tax, and there may be entities such as municipalities—I suppose that's the one thing I could agree on with Deputy Mayor Gosnell this morning, making that available for municipalities. Because the money is spent locally, you see this continuous Möbius loop of the money being reused locally, so there isn't a huge net loss to the province of that income.

There's one other area I would like to ask you to consider spending money on. The Report from the Frontlines on Legislative and Policy Reform to Protect Children gave some excellent recommendations. I appreciate that this goes across different lines of jurisdiction, both provincially and federally, but the recommendations were very solid about supporting victims of crime, everything from creating new appointment processes for judges, supporting granting courts the power to keep child abusers with a longer-term permanent offender designation, and minimum mandatory jail time for criminal voyeurism. It was a good report. I don't have to reiterate it, but I would ask you to consider making sure that you put the appropriate money into that, where it is your jurisdiction to do so.

I don't know if you'd consider this the jurisdiction of the budget committee, but I'm encouraging you to institute in Ontario lowering the voting age to 16. I think it's really important that citizens are brought on stream very early on. The potential here in Ontario, the human resources, is very great. We really miss an opportunity to engage young people in the political process.

The Chair: You have about a minute left in your time.

Ms. Smith: Thank you. Finally, in this term of office, not in any year, do not consider raising your remuneration. Please do not consider raising any of the funds that are in the parliamentary precinct for your use. That is not appropriate while other people are having difficult times in Ontario. Frankly, labour legislation in this province that doesn't cover farm workers, that doesn't cover mushroom farm workers—I appreciate there is probably not—

Mr. Colle: It doesn't cover MPPs either.

Ms. Smith: It doesn't cover legal secretaries either. A reading of the legislation decades ago certainly revealed it to be rather eclectic and just an arbitrary list of workers.

Give Mr. Smitherman some credit for doing a good job. People shouldn't be talking about doctors; we mean physicians. But he's definitely going in the right direction with requiring practices to be complementary, collegial with nurse practitioners; it's a good way to spend money.

Those are my comments. Thank you for your time.

The Chair: Thank you. The questioning goes to the government.

Mr. Wilkinson: Thank you for coming in, Susan. You know, we have all these different associations that come to see us. We have two weeks of this, and it's just great to have a regular citizen come and talk to us. We really appreciate that. Obviously, from the research you've done, you go to a lot of meetings and kind of keep tabs on quite a few things, and we appreciate that.

We will pass along your sentiments to George Smitherman. I'm sure he'll appreciate that. For him, some days are better than others, so hopefully that will take a tough day and make it that much better.

Just to recap, your comments about Elinor Caplan's review that has been ongoing and your suggestion that all providers covered by CCAC be available under the HOOOP plan or be able to contribute, we appreciate that. The only thing is that the anti-smoking—some people came to see us today about how they wish we weren't doing that, but I think the vast majority of Ontarians are very happy that we're doing that.

I asked you a question about the energy part. A couple of things: First of all, do you have the source for that children's report you talked about? That would help us. You spoke very highly of that. I just need to know whether it's provincial or federal.

Ms. Smith: Yes, and actually the energy piece too. I think right now the green credits and being able to buy back in or put it back on the grid, the first producers in seem to not have to get exempted from the bundled costs and I'm not sure I support that. The bundled costs are there, something that we have to pay for. We have to pay for it sooner rather than later. I'm looking at it from two sides. Keep the costs down—why are we paying for employee parking, capital costs of purchasing land for employee parking for a utility?—but at the same time, yes, the bundled costs are there, they're real. We want to eliminate the coal plants and I think that's a priority.

I'm sorry; your other question? Oh, the citation for the—

Mr. Wilkinson: If you can't find it right away, you'll just have to tell the clerk—

Ms. Smith: It's called Martin's Hope: Report From the Frontlines on Legislative and Policy Reform to Protect Our Children. Martin's Hope is the subtitle of it. Martin Kruze was cited. He was a victim of youth sexual abuse at Maple Leaf Gardens.

The other piece, on CCAC, is the continuity of benefits as a community care access centre sometimes

goes with the Saint Elizabeth society or VON and then there's a contract renewal. In London we have such a large organization, London-Middlesex, that a different provider may get the next contract. Now, the workers are generally picked up, but there's really not a reason for people on the front line of health care missing the opportunity of being covered full-time for benefits. So the continuity of drug benefit coverage, should that be there—and, dare I say, I'm possibly speaking about predominantly female employees as opposed to male employees, and possibly more part-time employees than people who are salaried with a whatever-hour workweek. In that context of the changes made with the labour legislation for 48 hours, that's part of why I picked that to highlight.

Thanks for your time.

The Chair: Thank you for your presentation.

Mr. Colle: Susan, for next year, don't go to all this trouble. We appreciate all the work you do, so you don't have to give us all—I think what you've just said is sufficient. You can give us a little bit of background.

Ms. Smith: Do you know what? The background is actually Gloria McGinn-McTeer's presentation on the city budget, and I never miss an opportunity to promote other people who have really great ideas, both as generalists and—it really is the most cogent précis you will see. So I would suggest balancing her presentation with what you heard this morning from senior paid staff.

ST. THOMAS-ELGIN GENERAL HOSPITAL

The Chair: Now, by agreement, we'll have Mr. Paul Collins come forward. Good afternoon. You've been very patient, and it paid off. We'll be glad to hear your presentation. You have 10 minutes, and I would just ask that you state your name for the purposes of Hansard.

Mr. Paul Collins: Thank you, Mr. Chair. My name is Paul Collins. I'm the CEO of the St. Thomas-Elgin General Hospital, a full-service community hospital about 20 minutes south down the highway servicing St. Thomas and Elgin county citizens. I do wish to thank you, Mr. Chair, and the committee for indulging my passion to speak. I recognize that I'm probably keeping you overtime, and I appreciate that very much. I do want to talk about health care, obviously. I don't have copies of my presentation, but I will make a formal submission so that you'll have that as well.

There is a crisis in health care, but I'd like to take a slightly different tack than the crisis that's commonly talked about, which is the financial one dealing with deficits, the appropriation of funding, capital infrastructure. All those things are difficult issues and I certainly applaud this government and Minister Smitherman for the work they are doing to address these issues. They are complex and difficult, and hospitals in particular are certainly complicated elements within the broader system.

1610

The crisis I'm talking about, though, is a crisis of spirit in health care, which I believe has been building for well

over 20 years through successive governments, which have all grappled with the intention and the spirit of the Canada Health Act. Here I speak specifically of the spirit of the caregivers. I would like to talk about turning the attention of the health care system on itself and on the caregivers themselves.

My question is, who is caring for the caregivers? Who is healing those caregivers? We have had a great emphasis on costs, reduction in beds, the erosion of resources to deliver care, the erosion of available human resources, including disciplines such as pharmacists, doctors—you name it. But there has been a huge cost associated with these interventions. Probably the most serious, I think, is the loss of engaged minds in creative solutions. There are the costs of sick time, of safety. And probably the biggest is the issue of recruitment and retention, the human resource base upon which our health care system in this province and indeed across the country depends so heavily.

The minister's transformation agenda is one that's supported by the OHA and indeed supported by myself, the members of the board of our hospital and our hospital. It contains 14 items for change which are all laudable and are intended to leverage sustainability, affordability and accessibility for the future. However laudable these transformational interventions, they are not addressing the very fundamental issue of the caregivers themselves. Health care is a people business: 75% to 80% of our expenditures at the hospital are obviously spent on people, not on supplies or technology but on the people who deliver the care and who support that care.

Research from around the world and practical application of that research in leading organizations—primarily the private sector—has demonstrated that when employers build with their employees a culture that is engaging, involving and adaptive to employee needs and values, the effect includes significant financial performance improvements and remarkable employee retention and recruitment. In hospitals, similar research has confirmed a high correlation between an engaged hospital workforce and patient satisfaction. Our hospital system is engaged in a financial struggle where a significant gap exists between what the Ministry of Health provides and what Ontario hospitals believe are the actual costs of delivering services.

At our hospital in St. Thomas, that gap is about \$7 million; it's significant and one which we cannot close by March 31, 2006, without a significant loss of service, employees and medical staff. However, we have been employing efficiency strategies and working with our people to do so over the years, and we will continue to find value for money on an ongoing basis. But we have now come to the realization that that work is severely compromised by the culture of our work environment. For the last eight months, we have been engaged in a process to transform that culture in a belief that, if done well, that transformed culture will yield positive results in creativity, financial performance and recruitment/retention initiatives. Health care is one of the great

humanitarian vocations and attracts the kind of people you would expect. They value accountability, teamwork, integrity, honesty, family. These are the people whom our hospital in St. Thomas has attracted for over 50 years.

When we conducted a survey of our employees around their values, the values of the organization and the values they desired, our employees and medical staff did not see the values that they bring to the workplace being reflected in their workplace. Our task—and I take full responsibility for that in our hospital—is to create with them a new work environment, a culture that they desire. We are very early in this process but already it has engendered the beginnings of a new kind of dialogue about effective relationships that we have not experienced before. What we learned about our existing culture is not flattering; however, in discussion with others in the hospital industry, our cultural experience is more common than uncommon. At a time when our financial and human resource issues seem almost intractable, it is time for creativity.

We at STEGH believe that a balance between appropriate funding levels and creating new, vibrant, robust work environments at our hospitals are both key to sustainability. We believe that Ontario can take a leadership position as a top magnet health care system that can attract and retain the best of Canada's and the world's health care professionals. STEGH and a few other hospitals in Ontario are engaged in cultural transformation activities that can have enormous multiple benefits for the system if the knowledge gained and the methods can be transferred throughout the system and indeed across the entire public service sector.

I would like to recommend to the committee that, in your budget formulation, the consideration of active support and incentives for incubators of cultural transformation in workplaces be undertaken, and that there be financial incentives across the health care system and indeed across the public sector for those who can transfer these successful methods into their workplaces. The appropriate level of funding for hospital services will be a conundrum which will no doubt be with us even long after your current government mandate is complete. Similarly, so will the efforts to create world-class employer of choice, quality hospital work environments.

Just a couple of quotes from Ontario's Minister of Health, George Smitherman:

Ontario's health care transformation "must begin with a new way of thinking and behaving.

"It must be allowed—and should be encouraged—to permeate the culture and daily routines of every health care institution....

"Cultural change will require from all of us a genuine desire to rise above self-interest and build a mature relationship with each other, for the patient."

Thank you very much for the opportunity to present.

The Chair: Thank you for your presentation.

Mr. O'Toole: On a point of order, Mr Chair: I have a motion to the Minister of Finance and to the Minister of Health:

That the Minister of Health and Long-Term Care's announcement of \$200 million today, January 17, be distributed to hospitals on a fair, population-based formula;

Furthermore, that the new Liberal health tax of over \$2.5 billion per year not be used to fund severance agreements to cut front-line health care workers and other services in our hospitals; and

That the Minister of Health admit his wrong-headed, mandatory balanced budgets for hospitals have failed and

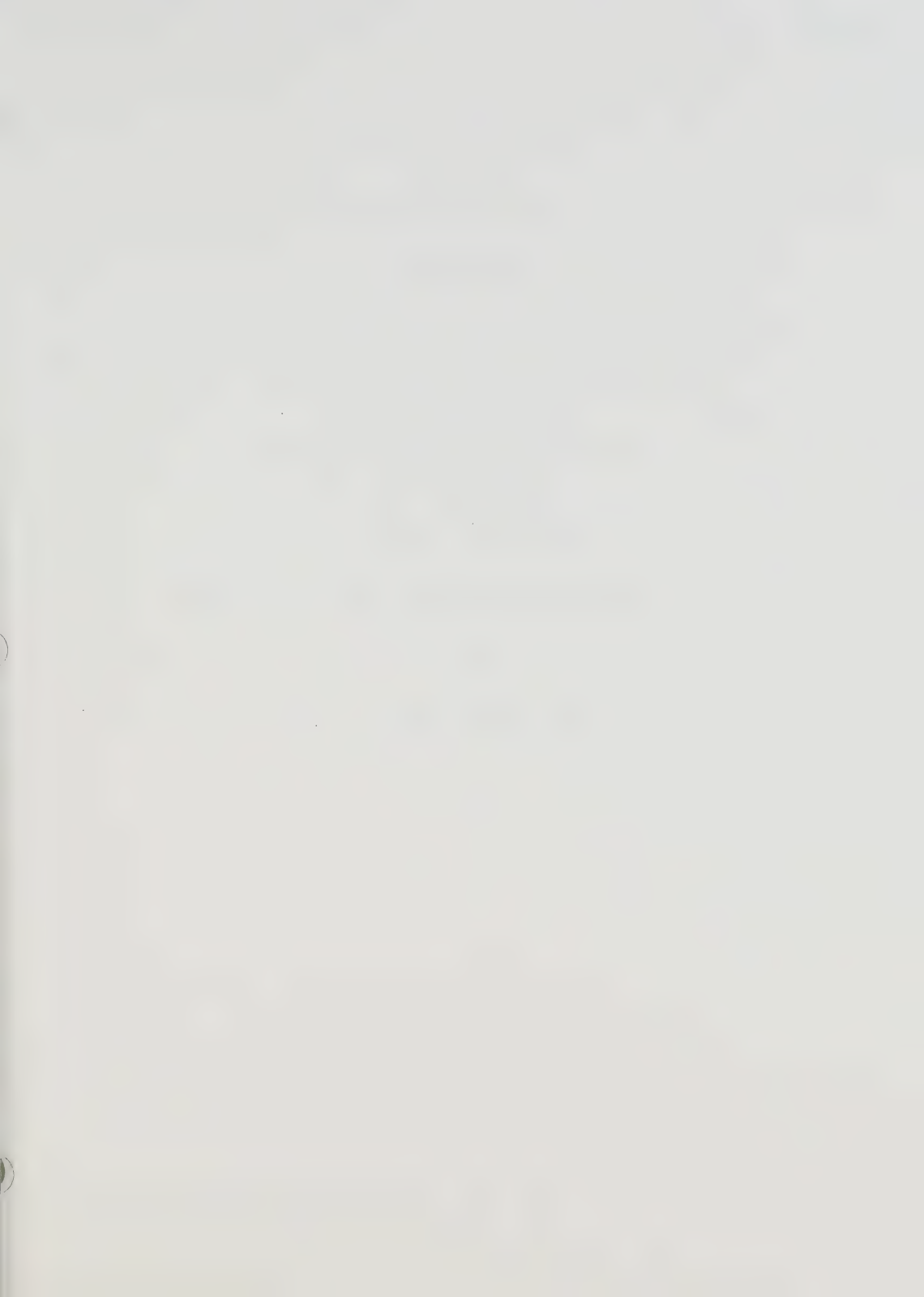
this \$200-million announcement is clear evidence of this failure to manage the health care system in Ontario.

I ask for a report from the Minister of Health on how he can justify this reversal of decision.

The Chair: Thank you.

This committee is adjourned.

The committed adjourned at 1617.



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Official Report of Debates (Hansard)

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Mardi 18 janvier 2005

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires



Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 18 January 2005

Mardi 18 janvier 2005

The committee met at 0900 in committee room 1.

PRE-BUDGET CONSULTATIONS

CANADIAN WIND ENERGY
ASSOCIATION

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order.

Our first presentation this morning will be from the Canadian Wind Energy Association. Would you please come forward. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of Hansard. You may begin.

Mr. Glen Estill: Thank you very much. I am Glen Estill, past president of the Canadian Wind Energy Association. Good morning, on this very cool morning with a wind chill—you've got to realize that somebody who owns a wind turbine likes to hear the phrase "wind chill." It means electricity prices are high and we have good production from the wind turbines.

Ontario's electricity sector has been a vital tool for the economic development of the province. The recent request for proposals for renewable energy resources is continuing in this tradition and will attract over \$600 million worth of investment in new renewable energy resources, primarily in the wind energy sector.

The request for proposals for wind energy attracted 40 bidders. It had over 4,000 megawatts of expressions of interest. It had over 1,000 megawatts of bids submitted, and 395 megawatts of tenders were awarded. The average price of power on this tender was about eight cents per kilowatt hour. Although I will say that I believe the next tender may be somewhat higher due to steel and copper price increases rolling through to the cost of turbines, I believe eight cents is a tremendous value for ratepayers.

One thing you need to understand is, yes, we sell to consumers at 5.5 cents a kilowatt hour, but you have to compare the price of energy from renewable sources with the price of energy from other new sources, not from existing sources. The 5.5 cents we charge to consumers includes the price of power from projects like Niagara Falls that were built 70 to 80 years ago and have fully depreciated plants and obviously produce their power at a

very low rate. So the blended price of 5.5 cents can work well with new sources of power in the eight-cent range. You will find that eight cents is very competitive with other sources such as gas and, I believe, with new nuclear installations as well.

We also need to keep in mind that when we talk about electricity, 0.7 cents a kilowatt hour is paid to the debt recovery charge, much of which was used to fund the development of generation capacity in the province.

In Ontario, we have to add substantial sources of new power over the next 15 to 20 years, simply because our fleet of existing generation stations is aging. So we will need to be making investments in new sources of energy.

The request for proposals and the bids awarded for renewable energy will result in no smog, with the associated health care costs and productivity costs associated with smog; will result in no acid rain; and will result in no climate change. There will be no Kyoto carbon-trading risk now or in future compliance periods. There's no fuel price risk and no fuel depletion risk; you'll never run out of wind.

There's insignificant price escalation. The discounted value of those contracts drops by 35%, if you assume a 2% inflation rate over the next 20 years.

There's no long-term waste storage risk, and there's no risk of cost overruns that must be borne by the ratepayers of Ontario, because the contracts are with private sector developers and will not be reopened if there is a cost overrun.

Currently, the government has committed to purchase 1,350 megawatts of renewables by 2007, and 2,700 megawatts by 2010. The Canadian Wind Energy Association suggests that the finance committee request that the government consider increasing those levels because of the great deal for the ratepayers and the taxpayers of Ontario as a result of the first round of RFPs.

What's the result of increasing the commitment to renewable energy in Ontario? In addition to the benefits of stabilization of price, smog, acid rain, Kyoto trading and so on, Ontario also has a significant economic development opportunity. We will have new industries develop here and jobs in the fabrication industry, the steel industry etc. In Germany, the steel business's second-largest customer is the wind business, to build the towers for the wind turbines. So it's a significant economic development opportunity.

Ontario, as Canada's industrial heartland, is uniquely positioned to capture the benefits of a growing wind

energy sector in North America. So our first recommendation is that the finance committee ask the government to consider increasing the purchases from renewable energy sources in Ontario.

The second recommendation: Wind energy is a very capital-intensive but very low operating cost business. Capital-intensive businesses suffer more than operating-cost-intensive businesses from the capital tax—the large corporations tax that is in place. Currently, this is 0.175% of capital deployed above \$50 million. It is scheduled to be increased and eventually phased out at some point, but certainly the wind industry would urge you to consider either making renewable energy sources exempt from the large capital tax—the large corporations tax—or accelerating the phase-out of the large corporations tax.

I can take any questions that somebody may have.

The Chair: Thank you. This rotation will go to the official opposition.

Mr. John O'Toole (Durham): Thank you very much, Glen. It's a pleasure to meet you again. I appreciate the work your industry does in uncertain times in the electricity sector. I'm a little bit surprised that Mike Crawley's not here this morning, but there may be other reasons for that that maybe I won't go into.

You'd be familiar, of course, with the work that was done by the alternate fuels committee, and the fact that they did recommend very strongly the renewable contribution to the generation side of electricity. I for one do support the establishment of a renewable portfolio standard, which would make for more certainty for investors as well as for those who are bidding into the price system.

I would say that there's always been a lot of conversation about the real cost of power, and I guess that is yet to be determined. When in government, we found that the market showed that power was probably more in the eight-cent range than we were prepared to tolerate.

It's my understanding that the minister will announce the new price regime this spring. One of the questions would be, how much is that in your contract, at eight cents, variable to future changes in the price regime?

Mr. Estill: Well, it's actually a contract that will eventually be signed by the Ontario Power Authority. The contract is for 20 years, and includes an inflation adjustment for 15% of the increase in the consumer price index, so you're not getting 100% inflation protection. It's unrelated to the future price of electricity, so if the OEB decides to raise the price of electricity, the cost of the renewables contract essentially drops because the government's OPA commitment stays constant or rises by a very small amount.

Mr. O'Toole: There's a lot of discussion—I wouldn't want to dampen my enthusiasm for all forms of renewable, including wind, biomass and other forms. My concern is the reliability factor. Often, wind is referred to as an intermittent power source. I've heard and seen some equations that say it's a 1 to 3 ratio; in other words, for every three wind turbines that are up, maybe only one

is working. That's about a one-third delivery capacity. That's my understanding.

Mr. Estill: There's something called the capacity factor. You have the rated capacity of a wind generator—for example, mine is 1,800 kilowatts—and the average production from that may be 30%, so I suspect that's the number you're getting. But that does not mean it's producing only 30% of the time. It means that sometimes it's producing nothing, when there's no wind. In the case of my generator, it might be about 15% of the time that it is producing nothing, where I'm located, and then it would be producing 10% capacity in light winds and 20%, 50% and then 100%. So one of the things we have a study underway on with the IMO is to determine the nature of the intermittency of wind energy, because if you have a diversified resource across the province, it's unlikely that the wind will stop in Thunder Bay at the same time it does in Lake Erie.

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Mr. O'Toole: That's the point. I guess I'm interested in following through on the initial 300 or 400 megawatts that they're going to have on the grid. But when you look at the geographic location and locating in wind areas, and also the ability to establish what's the reliability factor, that's absolutely important, because this will never be baseload power, it's my understanding. It will always be supporting the system or maybe some peak capacity. Is that—

Mr. Estill: You will never run your whole system on wind. If hydrogen becomes big and you want to use the peak production times to produce hydrogen and then let it run the grid at other times, you could do it. It also works very well with water power.

Mr. O'Toole: Pump storage—

Mr. Estill: Pump storage or even just let the water accumulate behind the dam. When the wind is blowing, let the water build up and let the water flow through when the wind isn't blowing.

Mr. O'Toole: One of the things that I'm concerned about is, I think Quebec did a much better rollout of their RFP, sizing it so that it would build the economic infrastructure that you talked about. Were any of our RFPs mandated so some of the manufacturing of the equipment, technology and manufacturing infrastructure was part of the bid? Or are you just going to buy it all from Vestas?

Mr. Estill: We don't know who has won the contracts for supply of turbines yet. That's going to be up to the developers to choose, so that decision hasn't been made.

No, there were no specific tie-ins that said it must be built in Ontario or a percentage must be built in Ontario. Although the contract was smaller—there's 355 megawatts of wind awarded in Ontario, and Quebec has ordered 1,000 megawatts—the 1,000 megawatts is between 2006 and 2012, and the 355 is for delivery before the end of 2007. They're talking about a new RFP in February, which will meet the 1,350 commitment that they have. So I think you'd have to say that Ontario is

moving even quicker than Quebec, although both are moving at a fairly rapid pace.

Mr. O'Toole: Would you encourage them in the RFP—

The Chair: Thank you. And thank you for your submission this morning. We appreciate it.

ONTARIO FEDERATION OF LABOUR

The Chair: I call on the Ontario Federation of Labour. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Wayne Samuelson: Thank you very much. My name is Wayne Samuelson. I'm president of the Ontario Federation of Labour, and with me is Chris Schenk, who is the director of research at the federation.

Let me begin by thanking you for giving me a few minutes to talk to you about some of the important challenges we face as a province and say right off the bat that I note that we're now down to 15 minutes. I think last year it was 20. It won't be long before, at this rate, we'll be down to five minutes.

However, I want to begin by saying to you that we're early in the process, and at the federation we're working with a broad range of organizations through the Ontario alternative budget group to try to come up with some kind of a plan on what we think the most important are. But my first point is to say to you that, as much as I enjoyed the process last year, I'm really interested in knowing where this brain trust—wherever they're located in this building—came up with this scam around the employer health tax/premium, and how frankly upsetting it is to see that, after we go through this long process of all this consultation, along comes this idea that someone cooked up somewhere that not only imposed a tax on low-income and working people but then went so far as to try to prevent unions from exercising the language they have in their collective agreements to ensure that employers pay for it, as had been done under previous Liberal governments. I have to say to you that I do wonder exactly what this little group of people who make these decisions is thinking up for us this time around.

Having said that, our initial look at the finances of the province and the situation we find ourselves in tells us a couple of things. First of all, it appears to us from our analysis that the government is spending a lot of time talking about how difficult and how bad things are when the reality is that they do have a lot more money than they're talking about. When we look at the reserve allocation, the contingencies, we find that there will be over \$1.7 billion in unused money. We find that because of reduced debt financing costs and interest rate reductions, there will be over \$1 billion in money there. In short, what we see is that even a fiscally prudent government has considerable room to take initiatives in the coming year and to ensure that some of the financing

goes back into the dire need to repair and upgrade public services in Ontario.

Let me remind the committee again this year that you did run on a platform of change and a platform that talked about moving away from the previous government's cutbacks, underfunding and privatization. Therefore, it seems to me you have some responsibility to ensure that when you look through your budget, you work to find money to put back into the services.

The reality is that you promised in the election that you would rebuild public services to the tune of \$5.9 billion on one hand and then you said you'd balance the books and not raise taxes on the other. We argued last year that in fact you can't do that, that you need to find more revenue. We argued last year that you should simply go out there and roll back some of the Tory tax cuts. The reality is that the Conservatives provided \$10.5 billion in tax cuts, and what we find is that you didn't touch that. What you did, really, was leave those tax breaks to high-income earners in place and then you came up with this scheme around the employer health tax, which actually put a tax burden on working people and their families. So quite frankly, we think if you really want to change things in the province, you not only need to change it on the expenditure side but you need to change it for all of those people who already have lots of money and are getting huge tax breaks because of the Tories, not to mention the loopholes that were expanded under the previous government. We think you should be moving to remove those, and even our conservative estimates put that at over \$800 million in taxes you could claim.

I did mention the employer health tax credit, but let me say this: We also have urged you for some time to get rid of the provision that provides for the first \$400,000 in payroll for self-employed individuals and ensure that everybody pays into the system. Why you would have a system that gives a break to people in this area is hard to understand, especially when it provides an opportunity for you to get over \$1 billion in income.

We've gone through it and looked at a number of areas where you can find extra revenue. We've identified areas where you have extra revenue, which you don't seem to want to talk about. We've provided it to you in a brief that you are all reading while I am talking.

I look forward to any questions you might have.

The Chair: This round of questioning will go to the NDP.

Mr. Michael Prue (Beaches—East York): In a nutshell, what I'm hearing is that you think there is sufficient money out there if this government goes out and looks for it. If they go out and find a couple of billion dollars, where would you like them to spend it?

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Mr. Samuelson: Well, I guess the short form, Mr. Prue, would be that I'd like to spend it on the things they promised they would do, to spend it on things like rebuilding our health care system and our education system. There is a long list of promises, which most

people around here—except for the Liberals, of course—have tacked in their offices. There is certainly no shortage of places to spend it. I would say this: You can't have it both ways. You can't say that the Tories were wrong in how they raised money and how they spent money, and then say that we're not going to change the way the government brings revenues in. Ultimately, that's what needs to happen. If you say the Tories shouldn't have cut taxes so much because it has an impact on services, then they should be willing to stand up and go after those changes. There's a long list of places to spend it. I'm sure that's not a problem.

Mr. Prue: In this morning's papers, the big, screaming headlines, in all of the Toronto dailies anyway, were that the government yesterday promised some \$200 million to hospitals, but most of that's going to end up in severance money to lay off nurses, while the same government goes around looking for 8,000 new nurses for the province. Would you be spending money there?

Mr. Samuelson: Absolutely. It's interesting to see the commitment this government made to hiring nurses turn into an actual situation where people are losing their jobs. But every nurse is not only someone who's working in the hospital; it also has a direct impact on the services people require when they go to the hospital. I think that's what we need to look at when we think about this.

If you look at the health care system, it was starved under the previous government. You need significant investment in order to make up for that.

Mr. Prue: You write here, on page 3, a paragraph: "The government also chose not to touch the \$3 billion in corporate tax cuts granted" by the Conservatives. "Less visible, but a further opportunity to raise revenue for public investment, is the more than 50 corporate tax loopholes created or expanded by successive Tory budgets. Some of the corporate tax changes parallel the Federal Income Tax Act and should be kept. But ... an additional \$800 million ... would be generated."

From where did you get the figures? I imagine from Chris Schenk.

Mr. Samuelson: Chris and a working group we've had within the labour movement and the left, the broader community looking at the finances. But these are not new numbers, frankly, and I don't think they surprise anybody.

Clearly, the previous government had a bent toward giving more money to those people who already had lots. We really would have expected that, if you were going to change things, if you wanted to change things, that would be the first place you would start. You would, in fact, recoup some of that money from those people who've already got lots and are getting more, and put that money back into the services that the rest of us need and require every single day.

We're not even looking at where it matches up with the federal laws. These are simply areas where the province could move on its own.

The Chair: Thank you for your presentation this morning.

Mr. Samuelson: That's it? It's been a peach.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Chair: I call on the Ontario Confederation of University Faculty Associations, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Michael Doucet: Thank you, Mr. Chair. Good morning. I'm Michael Doucet. I'm the president of the Ontario Confederation of University Faculty Associations, which is quite a mouthful, so I'll henceforth refer to us as OCUFA. We represent 13,000 faculty and academic librarians in Ontario's universities.

On my right is our executive director, Henry Mandelbaum, and on my left, our associate executive director, Mark Rosenfeld.

OCUFA has been a longstanding and consistent advocate of a well-funded, high-quality, public post-secondary education system. We welcome this invitation to present our vision to the standing committee on finance and economic affairs.

Let me begin by applauding the Ontario government's desire to examine post-secondary education funding through what is widely known as the Rae review, and of course we all eagerly anticipate Mr. Rae's recommendations later this month. The review process has drawn submissions from many quarters, all united in highlighting the critical need for major investments in our universities.

We are encouraged that both the Premier and the Minister of Training, Colleges and Universities have stated their commitment to public education, and we are hopeful this budget year will reflect that commitment. Last year's budget did little to reverse the pattern of underfunding that has been characteristic of Ontario universities in the last decade. Premier Dalton McGuinty promised during the 1999 provincial campaign to raise post-secondary education per capita funding to the national average over the course of his first term in government. This would require an increase of \$860 million a year. But consensus is emerging that an even greater funding commitment is required if Ontario is to achieve the goal of a first-class university system that rivals or surpasses top-notch universities in the rest of Canada and in our peer jurisdictions in the US.

No other province in Canada boasts as expansive a university and college system as Ontario, yet the provincial government invests less per student than all other Canadian jurisdictions. Ontario's per-student operating grant is more than \$2,200 below the national average. We want to reverse that statistic.

The call for reinvestment in higher education has come from many quarters outside of the university community. For instance, the April 2004 report of the government-appointed Panel on the Role of Government in Ontario stated the province "should increase the amount of public money spent on university education

until its spending is, on average, the highest per capita in Canada on a per-student basis." This recommendation would cost well over \$1 billion annually, but it would help to close the funding gap between Ontario and the rest of Canada.

We frequently talk about the need to maintain competitiveness with the United States, but research shows public universities in peer jurisdictions in the US spend twice as much as we do. The province's Task Force on Competitiveness, Productivity and Economic Progress concluded that, by investing \$450 per capita more in universities than Ontario does, our "peer group" of 14 US states plus Quebec produces \$965 per capita more in GDP at purchasing power parity prices. Closing the prosperity gap by investing an extra \$1 billion in our universities could well yield more than \$2 billion in GDP growth in Ontario.

In lieu of funding increases, some would entertain alternative options, such as income-contingent loan repayment schemes and more private-public partnerships, or P3 arrangements. OCUFA is opposed to these approaches; they are not the solution to the problems that we face in the post-secondary sector.

There is a reason why no Canadian provincial or federal government has created a full-fledged income, contingent loan repayment system. The estimated start-up costs are too great, the administrative requirements too complex, the banks as partners too uncooperative, and federal government support too uncertain. In Australia, the introduction of such a scheme resulted in reduced funding for universities, dramatically increased tuition fees and mounting student debt loads. In New Zealand, concern is rising that its income-contingent student loan scheme is spurring a brain drain of graduates looking to avoid repayment. These are problems we don't want to create in Ontario; we have enough of our own.

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For instance, student tuition is at record high levels. Average undergraduate tuition fees have more than doubled in Ontario over the past decade. Increased tuition has been accompanied with the problem of a more restrictive Ontario student assistance program, or OSAP. Changes over the past decade to the program have made it more difficult for students to qualify for a loan. OCUFA encourages significant reform to OSAP—a system Mr. Rae describes, by the way, as broken—to increase student access to grants and loans.

Even in the face of this escalating tuition and rising student debt, the demand for post-secondary education in the province keeps growing. University enrolment is projected to increase by 33% by the 2010-11 academic year. In the face of this, we are concerned about high tuition fees and insufficient government operating grants.

The quality of a university education is being jeopardized by chronic underfunding. Enrolments in Ontario's universities increased by 14% between 1992-93 and 2002-03. At the same time, provincial operating grants were cut by 25% in real terms. Typically, universities have cut departmental budgets, dropped programs, in-

creased class sizes and deferred maintenance as a response.

As I just suggested, as enrolment rises, so do class sizes in Ontario. As a result, teaching loads have grown heavier and more duties have shifted to part-time faculty and graduate students. Ontario, sadly, has the highest student-faculty ratio in Canada, and it is 35% higher than in peer jurisdictions in the United States. There are many ways to measure quality within an education system, but the student-teacher ratio is the gold standard. Reducing that ratio is a direct investment in quality education.

There is a further and unfortunate wrinkle to the mix of challenges faced by Ontario's post-secondary education system. Within this decade, one third of Ontario's faculty members are due to retire. Eliminating mandatory retirement will help alleviate this problem, but only modestly. OCUFA strongly supports the elimination of mandatory retirement. There is no time to waste in implementing this policy change. Yet more will need to be done to address the pending faculty shortage in our universities.

The Rae review has suggested that we will need 11,000 new full-time faculty by the end of this decade. While new hiring is finally taking place, it does not yet come close to meeting our needs. A concerted and sustained initiative now is required. The government has to provide the resources to allow universities to implement a creative faculty recruitment and retention strategy—a "brain gain" recruitment strategy, if you will. Furthermore, funding is required immediately to double enrolment in graduate programs, which are the primary source of future faculty. I hasten to add that Ontario produces 50% fewer master's students than in the US and only 75% of the Ph.D.s that are produced in the US.

We need to deal with the declining quality of our buildings in terms of deferred maintenance, which now stands at \$1.5 billion.

The Chair: You have about a minute left for your presentation.

Mr. Doucet: A minute left? OK.

We have a full text in our report, so let me just go to a concluding comment. We are a prosperous province, and we have the economic capacity to build a rich educational environment in which the best and brightest can flourish. Ontarians can be confident that any investment in universities will yield significant and long-lasting benefits to our economy for today's generation and for generations to come. All it takes now is a plan, and that plan starts with budget 2005.

Thank you, Mr. Chair.

The Chair: Thank you very much. The questioning goes to the government in this round.

Mr. Mike Colle (Eglinton-Lawrence): Thank you very much for your presentation. It's certainly been brought home loud and clear to this committee that investing in the post-secondary sector is a true investment that really brings back multiple returns.

We were told yesterday that McMaster is the number one employer, the Hamilton Health Sciences centre is the

number one employer, in Hamilton. The London Health Sciences Centre, associated with the University of Western Ontario, is the number one employer in London, Ontario. So we understand the economic benefits of investing in post-secondary education.

The thing that strikes me when you emphasize the word "prosperous," that Ontario is the most prosperous province: How have we gotten to the point where the most prosperous province is so behind the rest of the poorer provinces in funding its universities? How did we get to this point where Ontario is not able to fund its own universities, its own post-graduate schools? Our per capita funding is the lowest. Our student-to-professor ratio is the highest. Our capital needs are probably the greatest. How did we get to this point? How do we get the rest of Canada to appreciate the fact that Ontario maybe can't continue to underwrite the rest of Canada to the tune of \$23 billion net every year when we can't invest in our own ability to generate wealth in our universities, for instance? How do we get this across to our federal partners and to the federal government in Ottawa, that we have to maybe keep some of that \$23 billion in Ontario so that we can generate more wealth to help the rest of Canada? How can we do that?

Mr. Doucet: That's an excellent question. If I had the answer, I think I would be a very wealthy individual.

Part of the problem is the way federal transfers were changed in the mid-1990s. Some money used to be targeted for post-secondary education. Then we got the Canada health and social transfer that blended everything, and universities lost out, as did many other areas funded by the provincial government, because of that blending. I think we all know where the money has gone. It has gone into health care. So it's very important for the provincial government to look at the health care envelope and try to get some control over the increases that are occurring there. We all want a very good health care system.

Mr. Colle: Maybe the problem is that we don't spend enough on health care—that, again, we take money that should be spent on health care in Ontario and subsidize health care systems across Canada.

Mr. Doucet: It is a matter of political priorities, clearly. Those are always tough decisions.

Mr. Colle: The other question I had was about commercialization. I notice that your association questions the movement toward commercialization of research. We heard the president of McMaster say it's a good trend. The founder of RIM in Kitchener is on your side. Why are you so worried about the trend toward commercialization when it allows for reinvestment in research and attracts the best and the brightest?

Mr. Doucet: We're not opposed to commercialization as such. We're opposed to an overemphasis on commercialization at the expense of funding basic research. Who knows at this moment what is going to be commercially viable? People throughout university history have done what's called basic research, thinking about important issues. I know one of the classic examples is people

doing research on prime numbers in mathematics, which a century ago seemed absolutely worthless. But a knowledge about prime numbers is basic to computing today, so over the century it has become commercially viable. By all means, let's commercialize what we can, but our concern is that this will somehow distort research activity and interfere with academic freedom, which is very important in universities. As I say, we don't know what is going to be commercially viable at some point in the future. What we're calling for is balance.

Mr. Colle: I guess that's why—

The Chair: Thank you. And thank you for your presentation.

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COUNCIL OF ACADEMIC HOSPITALS OF ONTARIO

The Chair: I would ask the Council of Academic Hospitals of Ontario to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Murray Martin: Thank you very much for the opportunity this morning. My name is Murray Martin. I'm the president and CEO of Hamilton Health Sciences, and on my right is Mary Catherine Lindberg, who is the executive director of our association.

The Council of Academic Hospitals of Ontario is a not-for-profit organization representing 22 teaching hospitals in this province that provide primary, secondary and tertiary patient care services, as well as carrying out significant research and education in affiliation with five of our provincial universities. Our members provide acute care services, complex continuing care, mental health and rehabilitation services, and manage budgets that range from \$25 million for our smallest member to \$1 billion a year for our largest member. Our total membership of 22 consumes about \$4.5 billion of the hospital funding envelope.

In recent years, many of our members have been subjected to external reviews to determine why our costs are increasing rapidly and what can be done to make us more efficient. The conclusion arising from these reviews has been that we are indeed operating efficient and effective hospitals. Academic hospitals in Ontario have met the challenge of doing more for less. The national benchmarking study done by the Hay Health Care Consulting Group and the Canadian Institute for Health Information shows that Ontario academic hospitals are the most efficient academic hospitals in Canada.

We struggle to balance the complex interactions that arise from the three key roles of our members: We perform as providers of much of the specialized health care services in the province; we are educators and trainers of the next generation of health care professionals; and we are leaders in conducting and supporting health research to advance new health care discoveries and establish leading-edge innovation practices in care.

While academic hospitals are similar to other hospitals trying to survive in an environment of escalating costs and growing demand, we are unique in that we also have the added responsibilities associated with our academic mission. In addition to providing a large full range of health care services, for example, our hospitals support growing clinical programs and serve as the laboratory for developing and testing new diagnostic and therapeutic techniques that translate into new and often expensive ways of treating and curing disease more effectively.

Today, our members are being confronted with unprecedented pressures to perform. Many of these demands have arisen from the marked changes that have taken place in our patient population. We care for the most gravely ill and for those who are difficult to diagnose and treat because of their age or multiple health problems. In many cases, our hospitals have become the place of last resort for difficult cases and are sought after because of the unique expertise of our clinicians and scientists. The complex care being provided is highly coordinated between major academic health centres that collectively provide 95% of the complex or specialized care in our province and 100% of transplants in Ontario.

A further layer of complexity arises from the multiple but distinct roles performed by our members within their communities. In many cases—as an example, in London or Hamilton—our members serve as the community hospital within their local area as well as the regional provider of specialty programs such as specialized cancer care or cardiac surgery through the broad catchment area of their region. In some cases, our members also serve as the provincial provider of highly specialized, low-volume services such as transplantation. The complexity and interconnectedness of these many and varied roles explains in part why we are unique and why our 22 members consume approximately 45% of the province's hospital resource budget.

No one is disputing that a large amount of money is being spent on care within our organizations. The reality, however, is that there continues to be a significant shortfall in the money needed to serve very ill patients, in spite of our success in achieving high levels of efficiency. Of the 4.3% increase allocated to hospitals this year, the majority was spent on funding growth to service a growing and aging population. It is important to understand that our costs are not rising at double-digit numbers, but are inflating at 4% to 5% per year. Given the tremendous efficiencies achieved in recent years, we no longer have the room to absorb this level of inflation. For each of the next five years, our real need is 7% to 8%, factoring in 3% for growth and 4% to 5% for inflation.

The current funding gap is hampering our members' ability to continue to deliver the required volume of care and to maintain the exceptional services that residents of Ontario expect. At the same time, we are faced with a number of pressures that have to be met:

We are dealing with significant increases in costs arising from the growing specialization and acuity of our

caseload that demands more aggressive drug therapy, and more and higher utilization of lab and imaging tests;

We are confronted with growing funding requirements to offset pressures of increases in the number of students we train;

We face growing competition to recruit and retain the best and brightest doctors, nurses and scientists to work in our organizations during a period of increased global competition to attract top calibre candidates to senior clinical, research and teaching positions;

We are challenged to constantly try and create new treatments on the basis of new knowledge through building and supporting strong hospital-based research departments, conducting drug trials and advancing experimentation of new surgical techniques and instruments; and

We are attempting to implement the best-practice models being developed through research in our facilities and transfer that knowledge to other hospitals throughout the province.

As we consider how best to respond to these pressures, we realize that we have an important leadership role that we must employ to help the government transform the health care system and a responsibility to work collaboratively with others to implement the transformation agenda that will sustain our health care system in the long term.

I will now take a couple of minutes to make some comments about our concerns related to research. In recent years, we've seen unprecedented increases in federal government investments in health research through the Canadian Institutes of Health Research and other new funding programs. These investments have invigorated the health research enterprise and have allowed Canadians to aggressively compete in the international world of excellent researchers.

Academic hospitals have made great strides in recent years that have contributed to enriching the research enterprise dramatically. Many of us have research institutes that carry out world-class research for discovery and commercialization. We attract some of the best and the brightest scientists from around the world. We initiate much of the innovation that takes place in our health care system today.

Despite these successes, there are dark clouds forming. For example, the impact of the recent CIHR decision to withdraw mid and senior career investigator awards has placed an immediate strain on academic health science centres to establish ongoing, sustainable sources of funding to enhance and support the research agenda. The CIHR decision is significant for Ontario, given that our province lags behind others such as Alberta and Quebec, which have well-established provincial career support awards. Compared with other provinces, Ontario has placed itself at a disadvantage in being able to build research capacity and to address the issues of stability, continuity and sustainability with respect to our research programs.

It is also becoming increasingly difficult for Ontario academic hospitals to retain the world-class scientists we

are training because of a lack of money from the Ontario government to assist in the development of the research agenda. For example, the Canada Foundation for Innovation/CIHR research fund provides research funding for infrastructure, but requires matching grants from the province of 40% and additional from the organization. The federal government recently awarded \$28 million to Ontario hospitals, but we are to date unable to obtain matching funds from the province.

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In light of the foregoing comments, the Ontario council makes the following recommendations:

That the standing committee review and assure that appropriate funding is allocated to academic hospitals in Ontario in order to ensure that we provide the kind of quality services expected of us from the people of Ontario;

That the Ontario government work with the hospital sector to address immediate investment in infrastructure and develop strategies to address the issue of negative working capital;

That the Ontario government demonstrate its commitment to ensuring stability and sustainability in health research programs by providing immediate funding to match CFI; and

That the government put forward a statement of strong support for health research in our province in supporting funding.

Finally, we'd like to acknowledge the announcement yesterday of an additional \$200 million of one-time transitional funding, and we look forward to working with our ministry to deal with the ongoing issues facing our health care system. Thank you very much.

The Chair: Thank you. The questioning will go to the official opposition.

Mr. O'Toole: Thank you very much for your presentation. As you said, there are dark clouds forming. I think members of the media here have done quite a good job of holding the government's feet to the fire. Richard Brennan, in an article last Saturday, I guess it was, forecast basically ahead of the announcement that there was going to be \$200 million. Many in the sector have been saying it—not just Hilary Short, but others. As Ian Urquhart said in this morning's article, it's waiting for the inevitable, because—

Mr. Colle: Stop name-dropping, will you?

Mr. O'Toole: Well, the point is, they're holding you accountable here, and that's part of the job that I respect they're doing, and you are as well; you're just doing it more politely because you've been shackled almost by the Minister of Health, furious George.

I would say that in our hearings—

Interjection.

Mr. O'Toole: Pardon me, Mr. Wilkinson; in our hearings across the province, it is the number one priority. The Ottawa Hospital told us that they had a \$10-million deficit, growing to \$45 million, and that they were going to have to lay off 300 front-line providers. Another hospital told us there were 169 positions on the

line and \$10 million. The actual realization of the savings would not occur because of the severance requirements. It would cost \$8 million in severance in the first year, so you wouldn't realize the savings. The bailout yesterday is all severance money; we all know that.

If I look at their own election and budget documents, it says, "8,000 new nursing positions." Which is it? I'm listening to you this morning and you're not just talking about that. I'm looking at \$2.6 billion in the new health premium and additional dollars from the federal government. They simply aren't managing the system. They're simply not working with the system—that's you, the teaching hospitals especially. What message would you give Richard Brennan, the media, us and the government for them and this budget, to send the right signal for stability and security for the patients and our constituents in the province of Ontario? What message do you want to leave?

This is the headline story here today; it really is. I can tell you that in every section of the province, there's concern and there's demoralization amongst the persons working in the hospitals. I can tell you, I'm getting the calls in my constituency office. I don't ignore them, unlike perhaps the government members. I'm asking and I'm pleading that you give us the message that we want to see in the budget. The promising days are over with. The dark clouds are forming. What's the plan? What would you like to see them do? Give them stable funding? Admit their election promises?

Mr. Martin: I think the reality we recognize is that funding for health care has been very difficult for the previous decade and it's going to be very difficult for the decade ahead. We do acknowledge that there are other funding priorities. We do appreciate the money that was announced yesterday. We do know it's going to take more to get us back into the black. But as teaching hospitals, we're certainly committed to working very closely with the ministry. We applaud the investment in the community sector. Eventually that's going to have a payback. What we believe is needed, though, is additional funding to support us in this bridging period as we try to see more of our system provided at the community level as opposed to in our hospitals. That's certainly going to take additional funding, and it's going to take a close working relationship among hospitals with the ministry.

The Chair: Thank you for your presentation.

Is there a representative of the Ontario Public Service Employees Union present? York University? Is there anyone in the room who is scheduled to present?

We will recess until a presenter arrives. I would ask committee members to stay close to the room, please.

The committee recessed from 0955 to 1002.

YORK UNIVERSITY

The Chair: The standing committee on finance and economic affairs will come to order once again. It's my understanding that York University is prepared to make their presentation. Would you please come forward.

Mr. John Wilkinson (Perth—Middlesex): On a point of order, Mr. Chair: I have a research request. I'd be interested in knowing, on the employer health premium that's currently being brought in—I think it's about \$2.4 billion. I wonder if research could figure out, if that were to be eliminated, as has been suggested by the opposition, exactly how many full-time-equivalent nursing positions that would be in Ontario. If you could look into that for me, Larry, I'd appreciate that.

The Chair: Good morning, gentlemen. On behalf of the committee, let me say I appreciate your being here a bit early so that we can continue our work this morning. You have 10 minutes for your presentation. There may be up to five minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr. Gary Brewer: Good morning. I'm Gary Brewer, vice-president of finance and administration at York University. With me is Professor Ted Spence, senior policy adviser to the president.

I'd like to thank you for providing York University the opportunity to outline issues of particular concern to us. We will leave you with copies of our submission, but I would like to outline the essential elements of our brief to the committee and, along with Professor Spence, try to answer any questions you might have.

We are here because we anticipate that 2005 will be a critical year for the relationship between the government of Ontario and the province's publicly assisted universities. The forthcoming recommendations of the post-secondary education review headed by the Honourable Bob Rae will be important input to the next provincial budget.

Before turning to our specific areas of comment, I think it would be helpful to provide the committee with a brief overview of York University, which provides relevant context for our comments.

From its inception, the hallmark of York's programs has been excellence in interdisciplinary research and teaching at both the undergraduate and graduate levels. There's a strong synergy between research and teaching across all of York's 10 faculties. York now has almost 50,000 students, including the second-largest graduate student population in the province. Some 12% percent of all university students in Ontario and 33% of university students studying in the GTA are students at York. At the graduate level, York is a major source of highly qualified personnel for the GTA, Ontario and Canadian economies, with 4,800 graduate students enrolled in 25 doctoral and 43 master's programs.

York is committed to listening to our communities and responding to their needs within the limits of our resources. In the coming 10 years, we plan to respond to emerging needs of students and the community, including continued diversification of our programs in professional and applied fields, and a major focus on health and medicine, ultimately leading to the establishment of a new medical school to serve the growing and diverse communities around us.

York has over 180,000 alumni, 75% of whom live in the GTA. We have estimated that York already has an annual economic impact of more than \$3.4 billion in the GTA.

I'll now turn to the substance of our comments on four key elements which we feel should be addressed in the 2005 budget. These elements include: funding to ensure student opportunity and excellence; accountability to demonstrate achievement of outcomes; mandatory retirement, specifically referring to the impact on the university sector; and support for municipal infrastructure.

We have always been a leader in advocating for access to post-secondary education for all Ontario students and continue to believe strongly that this principle must remain a fundamental value underpinning tuition and financial assistance policies, not just at York but at all Ontario universities.

The cost of a university degree is high. Our studies have indicated that the total annual cost for a full-time undergraduate student in a regulated program ranges from at least \$10,000 if they're living at home to \$15,000 if they're living in residence or accommodation. The costs for graduate students are at least 25% higher. Longer-term planning is essential in meeting those challenges and improving the quality of education for Ontario students.

With respect to tuition, it is our view that tuition should be as affordable as possible, as predictable as possible for the length of a degree, and as accessible as possible through grants, scholarships, bursaries and loans.

York has traditionally opposed high tuition fees for undergraduates, and we continue to do so. We do not support full tuition deregulation and instead favour regulated increases consistent with inflation for tuition in most undergraduate programs. We regard the high cost of deregulated programs as a deterrent to free career choice for many students. In programs with deregulated tuition, government needs to ensure that there is predictability in fees as well as putting in place accessible forms of assistance and guidelines to protect students from tuition shocks.

With respect to student assistance, we ask that the debt burden of students be mitigated in the fairest possible ways. We urge the Ontario government to ensure that the student financial aid system is revised and improved, including harmonizing the federal and provincial systems and reducing the paper burden on students and institutions.

We urge you to reinstitute the Ontario student opportunity trust scholarship program, but in a revised format to ensure an equitable distribution of funds among institutions in order to support students who are truly in need. We call for better support for graduate students by continuing the OGS and the OGSST programs and through extending the length of time institutions receive grant funding for doctoral students to better reflect the normal time for degree completion, and also through additional doctoral scholarship funding for students at the dissertation stage.

With respect to operating grants, the level of provincial government support to Ontario universities on a per-student or per capita basis is now the lowest among Canadian provinces. For more than a decade, quality has been eroded by a lack of inflation adjustments and by periods in which not all students were funded. Discounted or diluted funding reduces the quality of education for all students. York urges the Ontario government to recognize as a top priority the need to adjust per-student grant levels to redress the lack of adjustments over the past decade, followed by regular adjustments in grant levels to offset the impact of inflation. This funding is essential if we are to hire the faculty required to enhance the quality of university education in Ontario. We recognize that additional funding will come with expectations for a higher degree of results measurement. We are ready to work with government to help develop mechanisms to provide the necessary tracking of quality improvements.

1010

With respect to support for university research, basic and applied university research play an essential role in the transfer of knowledge within Ontario and is a critical part of innovation across all aspects of society. The economic and social impacts of university innovation are a tremendous asset to all Ontarians. For Ontario universities to attract the best students, we must attract and retain the best researchers, and to attract and retain the best researchers, we must first ensure that we provide the resources necessary to fund their labs and their research.

We urge the Ontario government to increase its investments in basic and applied university research, including programs that will allow Ontario universities to attract and retain the world's best researchers. We also ask you to recognize that research support from the government of Ontario is required to allow our universities and researchers to compete successfully for our full share of federal dollars.

With respect to capital, the availability of high-quality university facilities is closely linked to the quality of student experience. In spite of our recent building programs, York University is still at the low end of built space available on a per-student or per-faculty-member basis and certainly well below the average for all Ontario universities. We fully support the case made by the Council of Ontario Universities for expanded support for deferred maintenance and capital funding.

With respect to stability in post-secondary funding, university planning is long-term, and there needs to be stability and predictability in funding. Recruitment of a new faculty member takes 18 to 24 months, and it takes even longer to put in place new academic programs.

York urges the Ontario government to move to a multi-year funding environment to support long-term investments in our institutions. We understand the very tight fiscal situation in Ontario but feel strategic investments in the post-secondary sector are crucial at this time, and we stand ready to ensure that government receives a full accounting of the quality improvement associated with increased and predictable funding.

Building on that point of accountability, as I said, we acknowledge the importance of accountability and our obligations in this regard as publicly assisted institutions. We think it important to emphasize the need for accountability measures and processes that reflect institutional autonomy and the differentiated roles and missions among universities. We recommend that each university be required to set accountability measures consistent with its own mission and goals and report on these annually to government through its board of governors.

The Chair: You have about a minute left.

Mr. Brewer: I'm just about there. Thank you.

We also recommend that the reporting burden be reduced and simplified.

A final critical element is mandatory retirement. As Canada's third-largest university, employing over 5,000 faculty and staff, it's our view that the elimination of mandatory retirement would have a far more acute impact on universities than any other sector in Ontario.

We are opposed to age discrimination of any kind and, as such, not opposed to the direction taken by government, but we have many complex issues related to labour relations, finance, faculty, complement planning and our collective agreement, and we need to deal with so many complex issues that we suggest a transition period in the implementation of up to five years.

Finally, I'll close with comments concerning support for municipal infrastructure. York's location in the centre of the GTA, but near the edge of the city of Toronto, means we are located in an area of the GTA which has not always received the attention deserved for public infrastructure investment. The university is the most significant transit hub in Toronto without subway service, with 1,100 buses a day on campus.

We urge the province to show leadership to ensure transit priorities are set at the level of the GTA and that the subway extension through York University to York region is funded as part of the next phase of transit development for the GTA.

Those are my comments and, again, thank you for having us here today.

The Chair: Thank you. This round of questioning will go to the NDP.

Mr. Prue: You've made a number of points which other universities across Ontario have made, but I want to skip to the last two, because this is the first time I think we've heard these two arguments, one being the need to grandfather or put in a transition period, should the mandatory retirement laws change. Could you explain to me in a little bit more detail than you did in your statement why this is going to cause such problems in a university, more than any other factory or office?

Mr. Brewer: I want to emphasize that we're not opposed to the elimination of mandatory retirement. In the university context, our faculty members have tenure, and this means that they essentially can continue to work past 65, 70 or 75 without having a set mandatory retirement age. As such, some of the normal mechanisms for assessing quality of performance and dealing with

performance issues may be more difficult to use in that tenured environment.

As well, at a university, faculty complement planning, as we've said, has lead times of anywhere from 18 to 24 months. Without some kind of predictability—in other words, a set age, like age 65—we may well find ourselves with significant disruption in our complement planning processes. In other words, we could find out at 65, 66, 70, 75 or 80—many faculty members could continue to work into their 80s—never knowing when exactly they would retire, and suddenly finding out, with a month's notice, that that's when they were electing to go. Then you're left with an 18-month to 24-month gap in order to have that person replaced.

Finally, on the financial side, within the university we have something called progress through the ranks, where faculty members receive an annual increment for every year that they continue to serve. It's standard across most universities. So typically, the salaries of faculty members at the end of their careers are substantially higher than those at the beginning of their careers. When a faculty member retires, the university often can hire, at half the cost, a new faculty or replacement faculty member. Obviously, to the extent that you have people staying longer, working longer at those much higher salary levels, the financial impacts can be significant. At York, I've estimated that impact to be perhaps as high as \$5 million annually. For us to adjust our budgets in order to reflect a different faculty planning and salary paradigm, we would have to take some time to deal with that.

Mr. Prue: My second question is about the subway. Both Mr. Colle and I were on Metro council when Metro council struggled with four subways and which ones. We wanted to build them all. Then the government of the day was defeated and the Conservatives came in and cancelled them all except one. The one they chose was the fourth choice.

Mr. Colle: Actually, it was the fifth.

Mr. Prue: Yes, and I think a special deal was made at that time with the then mayor. But the difficulty with building this, as I see it at this point, is that the city of Toronto now has been given the gas tax for its use. The gas tax is mostly for maintenance, as I see it. There's not much money. This would involve the province spending hundreds of millions or maybe a billion dollars to put a subway line into there. I still think it was the first or second choice. I think Metro council chose it as the first or second choice, that or Eglinton; those were the two biggies.

I don't know whether this government is going to find the money, quite frankly, to do this in the foreseeable future. Is the dedicated bus line going to work? Would you like to see something equivalent to the light rapid transit that goes up into Scarborough as an alternative or a short-term alternative to the building of a subway? Do you have some other alternative that doesn't cost so much that they might consider?

Mr. Brewer: If I could, I would ask Professor Spence to take that question.

Mr. Ted Spence: The dedicated bus line that was always intended as an interim measure will certainly greatly improve the situation for York University commuters. What it won't do is address the transportation issues in the northwest quadrant of the city, where we have some of the worst congestion in all of the GTA, with the traffic coming back and forth between the 905 and the 416.

There is an opportunity at York to extend the subway to a major transit gateway north of the university that would serve York region, more or less at the intersection of the 400 and 407 highways and at a point where many of the commuter buses come in. We already have almost 300 GO buses coming in and out of the university every day packed with students, but not with other commuters.

We actually believe that the subway extension through the university to the York region gateway is a key part of an overall transportation network for the GTA. We would certainly support light rail and other express bus routes, but it has to be an integrated system.

1020

I think most of the transportation planners who have taken the big-picture look at the GTA see the extension of the Spadina subway, which now ends at the Downsview station, across from a more or less empty air base and a furniture store, where it was never intended to end, and getting it up past Steeles Avenue is really an opportunity to help Jane and Finch, to help the northwest quadrant, to open the gateway to the 905, and I should say to also off-load the Yonge subway so that more of the traffic from the northeast of the city can be directed toward the Finch subway station and the York region transit system that's developing on Yonge Street.

There are alternatives that might be less expensive, but I think most people who look at the overall GTA picture for transit see that extending that subway up just through York to that gateway is really essential to make the rest of it work. It is expensive, but it's also an area of the city that has considerable area ready for either development or redevelopment. If you know that part of the city, many of the major social and economic issues of the city are concentrated in the northwest, and there's an opportunity to turn a whole area of the GTA around with the subway. So we've continued to advocate for the subway, recognizing that it's more expensive, but because of the impact it has beyond York University, not just because of the impact on the university.

The Chair: Thank you for your presentation and for appearing somewhat early. I appreciate it.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: I would call on the Ontario Public Service Employees Union to come forward, please. Good morning.

Ms. Leah Casselman: Good morning.

The Chair: You have 10 minutes for your presentation. There may be up to five minutes of questioning

following that. I would ask you to state your name for the purposes of our recording Hansard. You may begin.

Ms. Casselman: Thank you very much. My name is Leah Casselman. I'm the president of the Ontario Public Service Employees Union. With me is Tim Little, who's our legislative liaison—and I love traffic.

OPSEU represents 100,000 public and private sector workers, including most direct government employees, full-time staff of Ontario's colleges and more than 50,000 workers in the broader public service. Obviously, the fiscal decisions of the provincial government have a direct impact on our members, their quality of life and the quality of the services that they provide to the public. As a result, we again look with anticipation and some concern toward the upcoming provincial budget.

On election night, the Premier-elect made a special commitment to our members, a commitment to work with us to rebuild public services in this province. Last March, the Minister of Finance repeated this commitment by admitting, "We were elected to ensure high-quality public services. That's what the election was about. That's what we got elected to do."

After 10 years of Conservative rule, this public positioning is a welcome change. However, we've been waiting now for a year and a half for the government to make good on its promise of change.

As the Provincial Auditor noted in November of last year, the challenges facing public sector renewal are huge. Over 10 years of Harris-Eves cutbacks, 20,000 jobs were slashed from the Ontario provincial government. As a result, the auditor reports that staff overtime has doubled and the use of temporary staff has almost doubled since 1995 to almost 18% of the entire OPS workforce. This is having a serious and ongoing impact on employee morale, with over half of those surveyed by the auditor reporting departmental understaffing and fully a third of employees feeling dissatisfied with their jobs. Poor morale is hardly surprising, given the fact that our members have suffered through the first Ontario government in modern history to refuse its responsibilities to the people and future of our great province.

Finally, the auditor called on the government to address the lack of serious training programs in the Ontario public service and to prepare for the upcoming wave of baby boomer retirements.

It is difficult for the Ontario government to lead the way in public sector renewal when it spends two thirds less on training than other public sector employers.

There are, of course, similar challenges facing the broader public sector. We need serious reinvestment in our college system so that we can meet the growing demand for education and so that we can rebuild the apprenticeship programs that are so critical to our provincial economy.

We need a real commitment to those with mental health challenges and profound physical disabilities. Ontario has witnessed the continuing shell game of removing institutional care options while failing to deliver

on promised community supports. We and they deserve better.

We need long-term investment in health care, not more experiments with so-called private-public partnerships, so that we can attract and retain nurses, paramedics, technologists and other medical professionals.

We need funding increases in sectors like child care, children's mental health, community living programs and family services that have been starved for over a decade.

Another critical challenge facing the broader public sector is pay equity. At the end of this calendar year, an agreement that stems from a charter challenge is due to expire. It sets out proxy pay equity payments for female employees at a number of transfer payment agencies. In the absence of adequate funding in the forthcoming budget, by 2006 those employers are going to be running afoul of the pay equity law and will be cutting services and laying off front-line workers. The province must ensure there is continuing dedicated funding to enable employers to fulfill their pay equity obligations under the law.

There are, of course, employers who obeyed the pay equity law in the first place and are not getting funds under that agreement. For these workplaces, mostly in children's mental health and developmental services, there must be catch-up funding.

The truth is that as a society we do have the collective resources to meet these and other needs. We just need to find the political will to make the right choices.

You will be hearing from the Ontario Alternative Budget Working Group regarding the government's revenue and expenditure estimates, so I will not repeat their findings except to say that we share their frustration with the continuing practice of overestimating expenses and underestimating revenues. The provincial government has a responsibility to its citizens to be honest and forthright with its fiscal projections. Instead, the government seems to be all too willing to follow the existing pattern of manipulating the numbers, and we all know the cupboard is not bare.

I believe, as do our members, that this government is different. The Liberals will be judged in October 2007 on the concrete measures they have taken to rebuild public services, not on some fictional story of deficits encountered and wrestled to the ground.

While OPSEU recognizes the need to restore provincial revenues in order to support public services, we were not alone in criticizing the regressive nature of last year's health premium increase. Instead, we strongly support the Ontario alternative budget case for progressive tax increases. The five following changes would raise almost \$4.8 billion per year:

- (1) Harmonizing federal and provincial taxes by increasing the top Ontario tax bracket for those earning more than \$100,000 per year;
- (2) Restoring corporate tax rates to where they were in 2000;
- (3) Tightening the administration of the tax system;

(4) Harmonizing the federal and provincial corporate income tax systems; and

(5) Eliminating corporate exemptions from the employer health tax.

This last suggestion is only fair, given the unfair impact of last year's health premium on lower- to middle-income taxpayers.

Not only are these five suggested changes relatively conservative; they are also politically safe moves for a government that pledged to substantially improve our public services. We know that the government has a real opportunity to work with our members and with the public to rebuild our public services. OPSEU will do whatever it takes to make sure you take that opportunity.

Thank you very much. I'll now answer any questions.

The Chair: In this rotation, the questioning will go to the government.

Mr. Colle: Thank you for your presentation.

Ms. Casselman: You're welcome.

Mr. Colle: The item I want to ask you about first, which caught my eye, is number 5, "Eliminating corporate exemptions from the employer health tax." I don't think the Ontario Federation of Labour was specific. They just said, eliminate the employer health tax for the self-employed. One of the concerns that worries us about eliminating the employer health tax is that you might be impacting individuals who have their own little business—it could be a nurse, a plumber. Do you go as far as the Ontario Federation of Labour in saying it should be eliminated for everybody? In other words, should all self-employed pay the employer health tax or just the corporate entities?

1030

Ms. Casselman: We support the federation's position on that.

Mr. Colle: So you would ask that everybody pay the health tax; if they're self-employed, they should pay that?

Ms. Casselman: Yes.

Mr. Colle: OK. I just wanted to clear that up.

Ms. Casselman: They take advantage of the system, and maybe it would also be a deterrent for this government to stop following the Tories' direction to divest everyone into independent business to provide quality public services.

Mr. Colle: As you know, we are before the courts as we speak with the professional sports teams on that very issue. Some of them tried to claim they are exempt from the employer health tax because they operate their business outside the province and—

Ms. Casselman: Please don't get me started on million-dollar hockey players. We don't have time for that today.

Mr. Colle: Just to let you know we have that.

The other item I have to ask about is in terms of the reference you made that overtime usage has almost doubled.

Ms. Casselman: Yes.

Mr. Colle: Where is that starting from? Can you give a time frame on that? I'm just interested in finding that out.

Ms. Casselman: It was in the Provincial Auditor's report, so I'd refer you to that. I would suggest it was probably after the first wave of layoffs under the Tories. They still wanted the work done, but there were half the workers.

Mr. Colle: Is that continuing now, as far as the information you're getting?

Ms. Casselman: Yes.

Mr. Colle: At the same level?

Ms. Casselman: What we've seen since the Liberals were elected is that a number of consultants have been let go, because \$800 million was going into consultants' pockets as opposed to full-time workers. But that has been replaced by what we call "unclassified" in the public service or by additional overtime. So that's still an issue for us right across the public service.

Mr. Colle: So it's still a driver. I'll pass it over to Mr. Wilkinson.

Mr. Wilkinson: This idea about the five changes—I know Mr. Mackenzie is going to be coming in and speaking to us about the alternative budget. Are you saying that if we got rid of the new premium, which is about \$2.4 billion, and did these five things, that would raise \$4.8 billion?

Ms. Casselman: Those five options would raise \$4.8 billion.

Mr. Wilkinson: You're suggesting that, but you're also saying we should get rid of the premium we instituted last year. Are you saying—I just want to make sure—that we keep the \$2.4 billion and here's another \$4.8 billion to spend on increasing public service? It's just not clear to me. Are you saying, "Get rid of what you did last year but do this \$4.8 billion instead," or is it in addition—just so I'm clear on where you are on that?

Ms. Casselman: I would suggest that what you implemented last year was a regressive tax and it impacted the lower-middle-class folks clearly more than folks who make over \$100,000. If you are going to keep that, you should make it a more progressive tax.

In relation to what we've presented here, you can get \$4.8 billion by doing these five things, and we would suggest that you probably wouldn't require that additional tax on people for the health care system.

Mr. Wilkinson: We'll be going over expenses and revenues, because there will also be suggestions on where we should spend that money under the alternative budget. I'm just trying to get an idea of whether that's a net figure, because you want the other thing off and these five put in, or whether it's in addition. That will help us when we talk to Hugh.

The Chair: Thank you for your presentation.

UNITED STEELWORKERS OF AMERICA

The Chair: Would the United Steelworkers of America come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I

would ask you to identify yourselves for the purposes of Hansard.

Mr. Wayne Fraser: My name is Wayne Fraser, and beside me is Charlie Campbell, director of research for the Steelworkers union. Let me begin by thanking you for the opportunity to say a few words to you today—hopefully words that will be listened to and acted upon when you release your budget this spring.

I'm the director of the Steelworkers union, representing over 95,000 members in Ontario and the Atlantic provinces. Our union represents 250,000 workers across Canada, and we're the largest industrial union. Our members work in every sector of the economy, including universities, health care, security, banking, transportation, hospitality and many others, as well as the steel and mining industries, for which we are best known.

After the 2003 budget, widely acknowledged to have been a fiasco that badly damaged the McGuinty government's credibility, the finance minister does not have an easy task in this year's budget. Ontario voters, despite the growing pile of broken shards that represent Liberal election promises, still are looking to the government to get a start on its central promise: to rebuild our province's public services. The outrage that greeted the appalling regressive health premium or health tax—one day it's a premium; the next day it's a tax—will make even harder what is never an easy task: establishing a progressive source of revenue for vital government services.

We're calling on the government today to show some courage; first, to admit your mistake and announce that you will repeal the health tax and work to regain the confidence of Ontario citizens. Why is the health premium tax so bad? How would you describe a new tax that increased the income tax burden on someone making \$30,000 a year by 24% but increased the burden on someone making \$150,000 a year by barely 3%? It's unfair and, as I said, it's very regressive.

Also, the government's semantic game about "premium" and "tax" has meant that, unlike the OHIP premium, which was eliminated in 1989 and which was paid mostly by employers, most of these new premiums will be paid directly by individuals, many of whom just can't afford it. I am proud to say that the Steelworkers union has led the way to try to negotiate in contracts that this premium be paid by the employers. I am just as proud that our union, as an employer in this province, has taken the step to provide coverage for our members to pay this premium. We just think it's the right thing to do under the circumstances.

Do not believe for a second that backtracking on the health premium will give the government any licence to fall short on its promises to restore and improve health care services. Throughout this sector, particularly in nursing homes, the need for reinvestments is greater than ever. It's clear to everybody that there was no relationship last year between the new revenues produced by the premium and increased health care spending. You shouldn't expect Ontarians to take seriously the government's projections of nearly empty cupboards. Independ-

ent projections from the Ontario alternative budget suggest that between understated revenues and overstuffed cushions of contingencies, the government should be able to make a real, if belated, start on keeping its promises.

Your government's announcement yesterday to lay off hundreds of nurses clearly demonstrates your government's lack of commitment to and understanding of our enormously underfunded and underserved health care sector. Patient care is at an all-time low and will soon be getting much worse.

How can you ignore the pleadings of the hospitals, of the nurses and of the doctors about the crisis in health care today? Waiting lists are increasingly longer. Emergency rooms are a joke; people have to wait in there for hours on end to see a doctor. Your announcement of a \$200-million supplement to the hospitals, most of it going to severance pay, is as bad a joke as your announcement to let them do the layoffs.

It's clear to me that this Liberal government, its ministers and its MPPs have not been in a hospital lately to take care of them or their family members. You need to reverse this decision about laying off nurses. It's one of the first things the Tories did when they took power, and it has been a disaster ever since. You need to reverse it. You need to commit to the people of Ontario that your government supports health care. I believe, and our union believes, that health care is a right for all Canadians and can't be sabotaged by privatization or by governments.

1040

Let me now turn to an area where today's problems truly are not this government's fault—post-secondary education—but where there's an opportunity to step up to an historic challenge. Soaring tuition, slashed government funding and squeezed university budgets have been tough on students, on faculty, and especially tough on a group of usually unsung heroes: the thousands of university administrative and technical staff who ensure the day-to-day functioning of some of the provinces' most prestigious institutions. These include business officers, highly trained technicians and department secretaries, just to name a few.

The result of budget cuts has been fewer workers trying to do more with a lot less. The result is not enough time, inadequate money for preventive maintenance, inadequate money for specialized training, and too little time for the front-line staff in the libraries, in the registrar's offices, or in the academic departments and residences to spend with the students.

The Steelworkers are proud to represent workers at the University of Toronto, Victoria University, St. Michael's College and the University of Guelph. We also represent security guards and food service workers whose direct employers are contractors but who also deliver important services on college and university campuses.

The government deserves credit for appointing an independent review, headed by former Premier Bob Rae, to provide advice on how to make sure post-secondary education, including apprenticeship training, regains a

leadership position in North America. Our union participated actively in Mr. Rae's consultation process, and we are hopeful that his recommendations will call for a significant increase in funding from the provincial and federal governments. If this happens, all eyes will be on Ontario's spring budget to see if our hopes will lead to a new beginning for the post-secondary education sector.

I want to take a moment to address an issue that relates only indirectly to the budget, but that's very important to thousands of workers in this province: the government's wretched failure to deliver on labour law reforms that would actually be fair to all workers in this province, not just a handful.

We've delivered our message loud and clear to the Minister of Labour over and over again. So I won't take a lot of time here today to discuss that with you much more, other than to say that we believe that your legislation's proposed changes to labour law reform are, at the most, sexist and very discriminatory.

There is no justification whatsoever for restoring the card-based certification system only in the construction sector, while other workers who make six bucks an hour working in the service industries, whether they be women or new Canadians, have to go through a reign of terror when they try to organize a workplace to get representation by a union.

The abolition of the card system has been an invitation to employers to interfere and intimidate, and without any effective sanction. That was a deliberate change to the law by the previous government. It's a disgrace that this Liberal government has refused to acknowledge and rescind the draconian legislation introduced by the Tories years ago.

That concludes my presentation.

The Chair: Thank you. In this rotation, the questioning will go to the official opposition.

Mr. O'Toole: Thank you very much, Mr. Fraser. It's good to see you again this year. You've advocated very strongly for health care and for the post-secondary institutions. The steel industry is still in some—

Mr. Fraser: Don't forget about labour law reform.

Mr. O'Toole: Oh, labour law, yes.

Anyway, there are important comments you've made on the health tax, the premium. I'm not sure if it's a tax or a premium, but you've made quite a compelling case that this is a regressive tax.

We've heard that in the House. I would compliment Michael Prue and certainly the NDP for making that point very early on of how regressive it really was. We're the only party on record that would eliminate that tax. We're upfront about it. They weren't upfront about it. They, dare I use the word, lied or misled—no, that's not legal, either. I'll retract those words. They were not straightforward about that tax. They never told anybody they were going to raise taxes to the extent they did.

I guess I would sort of say, would you think that the employer should be paying this premium?

Mr. Fraser: I don't think there should be a health care premium in Ontario. Listen, your government was

responsible for the terrible shape education is in, for the terrible shape health care is in. Make no mistake about it; you ought not just to be pointing your fingers at the Liberal government. They have an opportunity to change it, but the reason it's in such difficult shape is because of the tax breaks you gave to the rich during your eight years of government.

I'm not opposed—I think, clearly, if there's a situation of financial difficulty for this government because of the shape you left it in, there ought to be tax increases to pay for the things we need; not tax increases that are regressive, like the health care tax, but tax increases that go to the folks who can afford to pay them. Those folks are making a lot more money than normal workers in this province.

Mr. O'Toole: We probably disagree on a couple of things, Wayne, and one of them would be that the shape of—

Mr. Fraser: Did you say we agree on a couple of things or disagree?

Mr. O'Toole: Well, we agree on a couple of things, yes. I've just got to make a couple of points, though. The condition we left the government in—even if you look at the alternative budget, Mr. McKenzie said clearly they could balance the budget this year. I've seen his report. That's what he said. If you look at it, they've got \$10 billion more in revenue this year. Just look at the numbers; it's in their own numbers. It's not a big surprise. They have a spending problem. They also have a lust for more revenue; there's no question about that.

I would say to you, if you really want to get into the nuts and bolts of it, your friend sitting beside you knows very well that Bob Rae left almost \$12 billion, and we dealt with it.

Mr. Fraser: And you left billions of dollars of debt, and this government is trying to deal with it.

Mr. O'Toole: Governments, however they state or restate numbers, we don't need to talk about that. Would you agree with this: that you have to grow the revenue in excess of your expenditures?

Mr. Fraser: Your tax breaks have caused the problems.

Mr. O'Toole: No, no, that's the question: Would you agree that you have to grow your revenue in excess of your expenditures, and faster? Would you agree that you've got to have more income to get more cable channels or whatever your expenditures are?

Mr. Fraser: No, I agree that the health care premium ought to be dismantled, because it's regressive.

Mr. O'Toole: How are they going to replace that revenue?

The Chair: Let the gentleman answer, Mr. O'Toole.

Mr. Fraser: And I agree that you tax folks who are making a lot more money, who can afford to pay increased taxes, the same folks you gave a break to for eight years.

Mr. O'Toole: I understand that. The NDP were quite clear in the election that they would tax people—

Mr. Fraser: This isn't about the NDP. You're asking the question of the Steelworkers' union. You gave breaks to people. The rich got richer during your eight years and those folks now ought to be paying the price for what's happened to our public service in this province.

Mr. O'Toole: I'd say that we increased spending in this province hugely; in fact, in excess of the revenue. That's why we actually get into the problem. We understand there's a demand that exceeds the ability to pay, and that's the problem the province is in. I'm asking you, if you're going to—

Mr. Fraser: The problem this province is in—you know what? Just let me tell you a little story, and this is a true story. For the last month and a half, we had a very close friend of mine, my partner's dad, in the hospital, in St Joe's. He didn't want to stay in the hospital to die. He had about a month, a month and a half to live. They said to him, "Well, we can send you home but you've got 14 hours of care. Even though you need 7/24, you've got 14 hours of paid care. The rest you have to fend for yourself." That's the problem in this province right now. It's a joke.

Mr. O'Toole: Do you realize—

Mr. Fraser: And then you go to the waiting rooms and you've got four or five or six hours to see a doctor. And now you're laying off 200 more nurses. It's a joke.

Mr. O'Toole: Through the Chair, I just want to make it clear that prior to—Bob Rae had a study that was called the multi-service agencies. We instituted them. They were called CCACs. Prior to 1995—

Mr. Fraser: You destroyed this province.

Mr. O'Toole: —there was no home care support.

Mr. Fraser: You destroyed this province.

Mr. O'Toole: Well, that's your belief.

Mr. Fraser: You have destroyed this province. Never before has there been worse health care in this province than when your government took over.

Mr. O'Toole: Keep your eyes open.

The Chair: Thank you for your presentation this morning.

Before we go to our next presenter, indication has been made to me that they have signs they want to use. As you know, that's not allowed in the committee, as it's not allowed in the House. However, this is in lieu of a PowerPoint presentation and it is part of their presentation. Do we have consent to—

Interjection: Absolutely.

The Chair: Agreed. They may use their signs, then. Thank you.

1050

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: Therefore, I call upon the Canadian Federation of Independent Business to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify

yourself for the purposes of our recording Hansard. You may begin.

Ms. Judith Andrew: Thank you. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined by my colleague Satinder Chera, who is CFIB's Ontario director.

Thank you for the opportunity to present today on behalf of CFIB's 42,000 small and medium-sized member businesses in Ontario. I'm going to speak mainly from the PowerPoint slides that are here. We're also putting a couple of them up for you to have a look at.

Our membership is very diverse and therefore you can see on the first pie chart of our profile that we have every type of business in our membership. We have, for example, about 600 beef producers in Ontario, who are certainly on tenterhooks these days vis-à-vis BSE. We have nearly 5,000 construction member businesses that may possibly be seriously impacted by the WSIB mandatory coverage proposal. There is some material in your kit about that. Those same construction firms will also be impacted by the loss of the vote under the card check system in the labour relations proposals—again, another challenge for them.

Turning to CFIB's quarterly business barometer, you will see that the index we construct of our members' expectations has actually over the years been a very good reflection of the Ontario economy, so much so that it is now picked up by Bloomberg business news on about 300,000 business terminals around the world. So we're glad to see this as part of the economic infrastructure that's out there.

If you look at Ontario versus Canada, I think it's a bit disturbing for Ontario in that Ontario's growth expectations have levelled off and at this point small businesses are entering 2005 with less confidence than they did in 2004. Confidence among small businesses to invest and grow is a particularly important factor. Certainly it's key to the provincial desire to grow our economy. In that context, we present for the committee's consideration a scorecard—that's the document on your left. You also have it in your kits. I think the big message from this scorecard is that small businesses need to feel that the government is indeed on their side. They are the job creators in the economy. They provide opportunity and hope for Ontarians. There have been quite a few things that have happened here in Ontario vis-à-vis promises that this government made to our members on a pre-election basis that haven't been fulfilled. In one case, the property tax promise on Bill 140 was actually broken. So there have been some challenges.

On the positive side, our members appreciate the increase to the small business corporate income tax threshold. It's not on here, just because of the room, but we also acknowledge that the government maintained the first \$400,000 exemption on the employer health tax, which is a vital measure for small and medium-sized business to be able to establish and grow. I mention that given the testimony you heard earlier today to the contrary. Coming from small business, this is a very important item and must be maintained.

Looking at the scorecard, things are unbalanced, but it is definitely not too late. Certainly here in Ontario, about half of small businesses have expectations in 2005 for stronger performance. That's positive. For their hiring plans, 30% of them expect to increase full-time employment and only 7% expect to decrease, so there should be some job growth. But we think there's potential in our sector that is being dampened because they're just uncertain, and uncertainty does not breed confidence to invest.

On the factors affecting business performance, the biggest challenges, as you'll see from the chart, include energy, and of course squarely in that category is electricity. As well, insurance premiums—a lot has been said and done around auto insurance, but what we're talking about here is the business insurance coverage, which is a big problem for our members. Each year in the context of this committee, CFIB does attempt to table some weighty documentation from our members, and we have done so today. This is sort of part of a bigger piece that we will table with the government, but there are issue pages dealing with both electricity and insurance in here.

At this point, I'd like to turn to our priorities for 2005. Our members tell us continually that total tax burden is a big issue for them. It's very hard to get a small business off the ground when you're facing profit-insensitive taxes in those early months and years before you make a profit. Government regulation and paper burden has jumped up to second place from previously being third or fourth, depending on our survey. Regulation and paper burden is now a recorded concern for a greater number of businesses in Ontario than it was in the past. This is in the face of the Premier committing to our members to actually reduce the regulatory load.

The other issues are there. These are things that we continue to work on because they are key barriers to small business. The more that can be solved in all of these areas, the better it is for them.

I'll turn now to my colleague, Satinder Chera, who will take it from here.

Mr. Satinder Chera: Thank you, Judith. For purposes of time, I'm going to direct the members' attention to about the 12th slide into the presentation, entitled Property Taxes Payable on Properties Worth \$200,000 in Toronto, 2004. My colleague, Judith Andrew, mentioned the fact that the promise by the Premier to our members around the Bill 140 hard cap was unfortunately broken last year. At the time, we made the case that, if you look at the property tax burden, small firms are the most ill-treated in this province. This is just one example. The city of Toronto, actually, is probably one of the worst culprits and, as a result of the suspension of the Bill 140 hard cap, they've actually increased taxes on small businesses again this year. So it's actually even worse than what's before you right now.

In last year's budget, there was a specific commitment to work with small firms to help address the property tax burden. I should say that so far we have seen very little

evidence of any concrete measures or results coming out of that process, which is obviously disheartening for our members.

The next slide is Property Tax—Next Steps. We surveyed our members on a number of different options that could be pursued in order to address the property tax burden, and one of the measures that we've been following for a number of years now—and 82% of our members are in support of it—is instituting a small business threshold, where the first X-thousand dollars of business property would be taxed at the lower residential rate. We think this is doable. We've been in discussion with a number of folks in government, as well as with the Ministry of Finance, and this holds out the most promise. And our recommendation, on the next slide, would be to pursue the graduated property tax rate to make up for the Bill 140 hard cap, and also to help rebalance the property tax load.

The next slide, Runaway Business Insurance Premiums...: My colleague mentioned that this is a continuing issue. Including the next slide, which talks about written notification, I would simply say this to you: If you were in a position where your insurance company called you the night before and said to you that your insurance policy is expiring tomorrow and, "Oh, by the way, we're not going to cover you any more," how would you feel? In what kind of predicament would you find yourself and how would you address that? We've had thousands upon thousands of members call in with those types of horror stories. There are some members who don't even have insurance today because of the lack of coverage.

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The Premier had committed to doing a review of insurance premiums and the lack of coverage. We met with Minister Sorbara in late summer and we are hopeful that there will be some concrete measures in the upcoming months that will specifically follow through on the Premier's commitment to the review of insurance.

The Chair: You have about a minute left.

Mr. Chera: I have a minute? I'm going to go quickly.

The last issue I wanted to direct your attention to was that regulations hit SME hardest in Ontario versus OACD countries. Our analysis indicates that, again, if you look at Ontario versus the OACD world, Ontario's small businesses share a far greater percentage of costs when it comes to regulatory compliance than their colleagues or counterparts in other jurisdictions. I should say that this year, while some progress has been made on the announcement about corporate tax harmonization, as well as the workplace gateway portal by the Ministry of Labour, we've also seen a dramatic increase in the amount of regulations. In particular, the worst culprit has been the Ministry of Labour. Unnecessary regulatory reforms are being brought forward, whether around labour relations or hours of work. In each and every case, we have made the case to the government that there is no good reason for those changes to be made. I should say that in each of those instances, our calls have been

ignored, and our members—Judith mentioned that regulations are now second. I think that speaks volumes about the concerns they have. Thank you.

The Chair: Thank you for your presentation. The questioning will go to the NDP.

Mr. Prue: In the 10 minutes you have been speaking, I've been trying to listen to you and to leaf through this document. I don't see anywhere in the document that you are asking for anything other than that your taxes be lowered. There's no government programs you would like to see, no improvements to health care, nothing for education; nothing for anybody else, just that your taxes be lowered. That's what I'm seeing here, in a nutshell. Is that your argument?

Ms. Andrew: We do a lot of work in other areas on education and health care, but we did not make presentations on those today, just because of the very limited time allowed. Also, our members tell us that total tax burden is their number one issue. We're asking the government to improve the property tax regime, which is primarily at the municipal level, although a big chunk of it is dealt with under the education portion. But those are our key recommendations.

Mr. Prue: In countries like the United States, where the property taxes are much lower, the municipalities have the option and get, in fact, money from state governments and federal governments and, in some cases, have the authority to tax from the income tax system. Property tax is very regressive. Is your organization stating that you would allow municipalities other forms, other than property tax, so they could have roads, sewers, water and everything else, or are you just saying you don't want to pay property taxes?

Ms. Andrew: What we're saying is that the property tax system is dreadfully unbalanced. It works against businesses getting started, it works against a small business graduating from a basement or a garage into a business premise, where they start to hire people and provide that gusher of extra taxes that comes into the government. We have made extensive recommendations around the municipal new deal. You'll find a document in the written material on the new deal.

But let me conclude by saying that our members, because they've been so ill-treated on the property tax front, are very concerned about giving municipalities additional taxing powers. They do support the notion of investing in infrastructure that supports economic development, but there has to be a fine balance in how this is done. We've set out some principles for that. We've done an extensive study across the country going back to first principles on what should be contained in a municipal new deal, but clearly coming out of that there's no desire to see municipalities have extra taxing powers.

Mr. Prue: You have taken quite a strong position against public employees in general, in terms of their wages and total compensation package. We had the president of OPSEU here asking that they be treated fairly. Do you have any instances where you think that

the government or past governments have been overly generous to them, other than what they're paid? In terms of unionized workers, I think they're probably pretty much middle range.

Ms. Andrew: I think in your kits, there's a document entitled Wage Watch. The slide in your PowerPoint is a very small excerpt from that major study. It's quite an academic thing we do. We use census data for hundreds of occupations, thousands of incumbents in those occupations, and compare matched occupations in the public and private sector. When you take the same job in the two sectors, you find considerable advantages in the public sector for the incumbents there. This is statistically valid. It has been peer reviewed by labour economists like Morley Gunderson and so forth. We put it forward as evidence that Ontario's public servants are more than well paid, and as a consideration for everyone going into the bargaining scenario.

The Chair: Thank you for your presentation.

Mr. O'Toole: Mr. Chair, I have a motion.

The Chair: Mr. O'Toole.

Mr. O'Toole: I move that the Ministry of Finance respond to their election promise of upholding the hard cap on small business and work with small business to fix the property tax situation. This shifting of tax burden is a detriment to small business.

The Chair: That will be discussed at report-writing time.

Thank you for your presentation.

ONTARIO HOSPITAL ASSOCIATION

The Chair: I call on the Ontario Hospital Association to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms. Sheila Jarvis: My name is Sheila Jarvis. I'm chair of the board of directors of the Ontario Hospital Association and president and CEO of Bloorview MacMillan Children's Centre here in Toronto. Joining me today are Hilary Short, next to me, president and CEO of the Ontario Hospital Association, and next to Hilary is Steve Orsini, vice-president, policy and public affairs at the Ontario Hospital Association.

We are here today to update this committee on the state of Ontario's hospitals and to offer our recommendations to you for the 2005 Ontario budget.

Constructing a sustainable health care system is one of Ontario's most urgent public policy challenges. Ontario's hospitals support the principles that underpin this government's health transformation agenda. Health transformation could ease pressure on our hospitals across the province, improve access to patient care, particularly the wait-times strategy, and enhance public confidence in our health care system. That said, transformation takes time and investment. Our patients expect to receive high-

quality care every day, in every hospital, in every part of Ontario. Providing high-quality care is expensive.

Ontario hospitals' base operating costs increase by 6% to 8% every year, much more quickly than GDP growth or the standard measurement of inflation, the consumer price index. These unavoidable increases in base operating costs are caused by factors beyond the control of individual hospitals and include serving a population who cannot access alternative community-based health services, the cost of new drugs and medical technology, and of course staff compensation. Such yearly increases are not unique to Ontario's hospital sector and are not evidence of waste and inefficiency. By any measure, Ontario's hospitals are the most efficient in Canada.

Although the cost of operating Ontario's hospitals rose by approximately 7.9% this year, the hospital sector received only a 4.3% increase in funding. Because much of this 4.3% increase was for new initiatives—some of it for one-time initiatives—individual Ontario hospitals received an average operating funding increase this year of 1.8%. Many hospitals received only 1%. In the coming fiscal year, this average operating funding increase is expected to shrink to 1.5%.

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Hospitals are aware of the financial challenges facing the province of Ontario. We have worked for years—and certainly indeed months, recently—to identify significant additional savings in non-core patient service areas as we move to balance our budgets by the end of 2005-06. Hospitals have made some very difficult decisions, as we heard yesterday, decisions that will result in approximately 2,000 staff layoffs. These layoffs will include support personnel, clinical staff and some nursing positions.

I must stress that even with the new, one-time funding that was announced by our minister yesterday, and even after making these cuts, hospitals will begin the new fiscal year with a \$440-million shortfall. Without a significantly revised multi-year funding plan, the shortfall will grow to \$760 million by the end of 2005-06. This will leave hospitals with no choice but to cut core patient services, and we estimate up to 8,700 additional jobs next year, in order to balance hospital budgets.

The balanced budget process undertaken this year has been a shared learning experience. It has led to clearer understanding of the issues faced by hospitals and by our government. We hope that yesterday's announcement by Minister Smitherman signals a renewed willingness to work with hospitals to resolve our very serious funding challenges.

The following are the OHA's main recommendations for the 2005 Ontario budget.

First, because system transformation takes time, we recommend that the government provide hospitals with transitional funding to accommodate the needs of their patients until additional community-based alternatives to hospital care are in place. Without transitional funding, some communities may lose critical patient care services now offered only in their local hospitals.

Second, we recommend that the government revisit its current multi-year hospital funding plan. The existing three-year plan does not sufficiently account for the actual costs of providing hospital care and does not provide the stable fiscal environment necessary to hire and retain nurses and other health care professionals.

Thirdly, we recommend that academic health sciences centres and some of our high-growth hospitals be appropriately funded so that they can continue playing their key role in our communities.

Finally, we recommend that the government quickly flow promised funding for already-approved hospital capital projects and work with hospitals to quickly address the issue of the accumulated debt.

These recommendations are explained in greater detail in our written submission to you today.

We are confident that with time, commitment and appropriate funding, Ontarians can continue to expect the high-quality care that they deserve. Ontario's hospitals look forward to playing a key role in helping to build that system.

Thank you. We will now entertain your questions.

The Chair: Thank you. The questioning in this round will go to the government.

Mr. Colle: Thank you very much for the presentation. Earlier, we had a presentation that talked about the horrific state of our hospitals and emergency rooms. I should note, from personal experience, I had a visit forced upon me to Sunnybrook. I happened to be jogging on Yonge Street. I fell, hit my head and my ribs. Anyway, I was treated very well. I saw a doctor within two hours and went home. So there are some great hospitals, like Sunnybrook, all over this province. They're doing a fantastic job. On behalf of the whole committee, we want to thank all the hospital administrators, the volunteers, the doctors and nurses, the people who clean the hospitals, the orderlies, the mechanical staff. They're doing a fantastic job, I think, overall.

As members of this committee, sometimes we say that perhaps we should rename this committee the standing committee on financing the Ministry of Health. We see deputation after deputation—whether it be doctors, representatives, health practitioners, hospitals—saying that it's not enough money; huge demands for more funding.

As you know, through the Ministry of Finance, last year we approved \$600 million for diverting people from hospitals into the community—long-term beds into community health centres, into community care—because we were told by the Ministry of Health that this would relieve pressures on the hospitals.

This year again, we saw the upfront \$385-million amount we gave to hospitals to deal with that one-year deficit for 2003-04, another \$107 million for reducing wait times, \$60 million for capital—in all, about \$469 million. We're up to \$31 billion in health care. What's the problem?

We've heard the objections to the health premium etc. Is there a delay here? Why isn't that investment being seen in the hospitals being able to grapple with their

challenges? Where's the obstacle here? What's happening with the money? Is it just not enough money, or is it just not going to the right places?

Ms. Jarvis: This year, there are probably two or three reasons for the fact that it isn't looking quite the way you might have anticipated.

First of all, when you look at funding overall for health care in Ontario as a percentage of our GDP, it's still not at the level of spending that we saw in the early 1990s. So just to put it into a much bigger context, that's a point that we would want to make.

Certainly, as we said in our presentation, we support the government's initiatives to provide more home care and more long-term-care services and community-based services, but most of those services aren't in place yet. So there hasn't been an opportunity for hospitals to devolve what services they might be able to devolve into the community at this point in time.

The increased costs that hospitals are experiencing in Ontario are not unique to Ontario. Those increases are characteristic of hospitals across this country and, indeed, in other countries. As I said, they're largely driven by factors that hospitals can't control, like drug costs and the costs of new medical technology and, of course, our labour costs.

Mr. Colle: Yesterday, we had the research-based pharmaceuticals. They were emphatic in saying that the investment they've made in new drugs has reduced costs in hospitals, has saved hospital time. They state just the direct opposite.

Ms. Jarvis: Certainly for some drugs, that would be quite true, but in the case of most of the drugs that we use for a lot of our clients and families and patients in our hospitals, the costs are increasing at a significant rate. Those are one of the key drivers of increased cost, particularly in our teaching hospitals, where our most complex patients in the province find themselves. Those costs are significant drivers of our need for more resources.

The Chair: Thank you for your presentation this morning.

Mr. O'Toole: Mr. Chair, a motion.

The Chair: A motion from Mr. O'Toole.

Mr. O'Toole: Yes, thank you, Chair. I move that the Premier, the Minister of Finance and the Minister of Health review the funding of hospitals. Our standing committee on finance and economic affairs, in our pre-budget consultations across the province, has heard from hospitals. They have called for multi-year funding, as promised by the government. Hospitals told us that a mandatory balanced budget process will mean 1,000 or more cuts to staff in our hospitals. The recent \$200-million infusion of one-time funding is not a stable solution.

We request that: (1) the government set up an all-party committee to review hospitals' operating and capital budgets and examine options for the future; and (2) the government and the Ministry of Health introduce their

plan for stable, multi-year funding of hospitals for a full, non-partisan debate and free vote in the Legislature.

The Chair: Thank you. That will be discussed at report-writing time.

Thank you for your presentation.

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CORE FEATURE ANIMATION

The Chair: I would ask persons in the room to turn off any electronic devices that they might have, and I would call on CORE animation to come forward, please.

Good morning. You have 10 minutes for your presentation, and there may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ron Estey: Thank you very much. My name is Ron Estey. I'm managing director of CORE Feature Animation, an animation studio located in Toronto. I am not going to repeat verbatim what's in the submission, but I will hit on what we consider the high points of that presentation.

I'm here to talk about computer animation and about establishing and maintaining the province's pre-eminent position as computer animation producers in the world. Specifically, I'm here to talk about the Ontario computer animation and special effects tax credit, affectionately known in our section of the industry as OCASE. In the last seven years since OCASE was instituted as an incentive to animation studios in the province, it has been a spectacular success. It has helped to create a 250% increase in project dollars, and it has helped increase employment income by almost 400% in that period of time.

However, seven years in any computer technology is a long time; in the computer animation industry, it is a generation, if not two or three. What is propelling the industry right now are the large-scale projects. Many of you have enjoyed them: Finding Nemo, Toy Story, Monsters Inc., The Incredibles. Hollywood studios and other producers around the world are aggressively initiating these new projects. The reason is compelling, and it shows at the box office: Shrek 2 has made US\$912 million in box office receipts worldwide; Finding Nemo, \$865 million. The Incredibles has been in theatres for about two and a half months, and it has garnered US\$550 million in two and a half months. These are huge projects with huge potential.

We are asking at this time, on behalf of a number of the animation companies in Ontario, to modify slightly the OCASE regulations to react to these new realities. We're asking for two refinements to the regulations: (1) the elimination of the prior year residency requirement for labour qualification; and (2) the cap that labour must not be more than 48% of total production costs.

Let me give you a little bit of background about the computer animation industry in Ontario. The pre-eminent computer animation school in the world, known as the Harvard of computer animation schools, Sheridan

College in Oakville. Sheridan College graduates have worked on some of the most iconic films that we now know: Jurassic Park, The Mask, the Terminator, movies as well as Toy Story and virtually all of the other large feature films that include computer animation and special effects.

However, prior to 1994, if you were a young computer animator coming out of Sheridan College, you had to go to California to work. In 1994, four artists, my partners in the venture I'm involved in, decided that they could do better, that they could bring the work here rather than send the animators there. Now, 10 years later, those four animators have transformed themselves into a company that has 360 employees in two studios in Toronto doing computer animation and special effects. They are currently producing a major feature film like Finding Nemo for the Disney corporation and have built a studio that houses those 360 employees in Toronto. Not only does my company have a studio of that size, but there is another production studio in Toronto called DKP Effects, which also has 360 computer animators working for it. These are large projects, generating large employment for Canadian computer animators in Toronto and Ontario.

The combined budget for the projects these two studios are working on right now—there are just two studios in Toronto—is in excess of US\$150 million. They're large projects. They last two or three years. They have long-term, high-skill requirements. They require substantial investment in facilities and computer technology, so much so that there aren't enough computer animators in the province or who have ever graduated from Sheridan College to fully staff these projects. So we need to reinforce that labour force with a large body of primarily itinerant specialists who basically wander the globe in search of projects they can work on. Certainly one of the initiatives that we feel is important is that this itinerant workforce that travels the globe bring their skills here and that our animators do not become part of that itinerant workforce but stay here.

That said, as you can expect, with the kind of background these projects have and the size of these projects, there are a number of pressures from low-wage jurisdictions such as China, the Philippines and Korea, which are also after the kinds of projects that I've just described.

Let me talk very briefly about the two refinements we're asking to have made to the regulations. Right now, the requirement is that an animator I hire is a resident of Ontario the year prior to when they do the work. Therefore, if I hire an animator in December, I will be able to claim that animator's wages the next year under the OCASE regulations. If I hire that employee on January 3, say, I cannot, because they have not fulfilled the prior-year residency requirement. We're asking that that residency requirement be dropped and that harmonization with the other federal tax credits and with the Quebec tax credits be made, in which the residency is required at the time the work is done, not in the prior period.

The other refinement we're asking for is the removal of the 48% wage cap. Certainly the wage cap does not come into play on small projects, but in multi-year, large-scale projects it does. In the first year of a project, when a project is ramping up with new equipment, new facilities, new software, the proportion of labour to the overall proportion of costs is generally less than the 48%. In the later years, however, all of the hard investment has been done and what is left is strictly wages, and our experience is that the wages will trend up to 55% or 60% in the subsequent two years. To eliminate this cap or at least apply the cap to the full project rather than on a somewhat artificial perspective in terms of the project, the year-by-year basis, would be preferable.

That's really all I have to say, except, in conclusion, we have the best animators in the world—it's acknowledged. Through the projects that we have been able to put in place in Ontario over the last two years, we have been able to repatriate about 30 animators who have gone to California. We're now starting to find that the ability to bring full-scale, large projects to Toronto, to Ontario, is certainly within our grasp, and these refinements will certainly continue the philosophy of OCASE to support and build the computer animation industry.

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The Chair: Thank you for your presentation. The questioning in this round will go to the official opposition.

Mr. Toby Barrett (Haldimand-Norfolk-Brant): As I'm wading through your brief, I find some of the tax and labour issues a little complex. You talk about, certainly, the growth in jobs and computer animation, and I'm pleased you attribute much of that to the Sheridan animation program. Twenty-five years ago or so, my sister graduated in animation.

You also attribute it to the 1997 Ontario government direction that created what I think you affectionately refer to it as OCASE, the Ontario computer animation and special effects refundable tax credit. Again, I understand much of that was to create domestic employment. I think of California and Australia—

Mr. Estey: We want to bring our boys and women back from the front, and certainly we've done that with some success.

Mr. Barrett: Bringing them back—now, is there a distinction between whether they're a Canadian citizen or a US citizen for tax purposes?

Mr. Estey: Not at all. The factor is their residency at the time, and residency under the tax act is based on an individual situation of where they are located in terms of their prime location of interest.

Mr. Barrett: OK. So as you indicated, OCASE worked. You talk about budgets growing by 250% and gross wages in the province of Ontario increasing by 400%, but you're suggesting that it could be working better in the future?

Mr. Estey: Yes, sir. Certainly, the landscape is changing. When you have a feature film that costs \$90 million, as Shrek did, and brings in \$900 million, there's a lot of

attention applied to that. We have been able in Ontario to bring in two of these major feature films in production right now. It would be unfortunate if it was a blip on the radar and we saw that these jobs or these projects were not sustainable strictly because other jurisdictions were more aggressive in terms of their application of tax credits and/or that it was strictly based on low-cost labour, as we would get in jurisdictions such as China and the Philippines.

Mr. Barrett: So we have a problem here with the wage cap of 48%? Could you explain that again, this OCASE cap?

Mr. Estey: Right. The cap applies year by year, and so in a multi-year project, a large-scale project, which by definition has to be multi-year, the cap artificially impacts the years where, ironically, the wage costs are the highest. So when you are actually generating the most income for your employees, as well as the most tax for the province and the most spinoff for the community in general, that is the time when the cap tends to diminish the effect of the OCASE legislation.

Mr. Barrett: OK, and if I have a minute—

The Chair: Quickly.

Mr. Barrett: So you're asking for two changes to the existing OCASE regulations. How would that benefit Ontario's animation industry? How would it benefit Ontario taxpayers in general?

Mr. Estey: Certainly, the ultimate impact here, we feel, is to preserve the Canadian jobs in Ontario. Whether the employment goes to Ontario or goes to another jurisdiction with a more aggressive tax incentive program is really the issue. Producers are very sensitive to the tax credit situation in all jurisdictions. We can certainly stand on our own, but we just ask not to be put at a disadvantage compared to other jurisdictions.

The Chair: Thank you for the presentation.

ONTARIO ASSOCIATION OF NON-PROFIT HOMES AND SERVICES FOR SENIORS

The Chair: Would the Ontario Association of Non-Profit Homes and Services for Seniors please come forward.

Mr Greg Fougere: It's a pleasure to be here today and we welcome this opportunity. I see our colleagues, the Ontario Hospital Association, have cleared the room for us, but I want to assure you that there is great attention needed in long-term care also.

The Chair: I would ask you to identify yourself for the purposes of Hansard, and remind you that you have 10 minutes for your presentation and five minutes for questioning.

Mr. Fougere: Absolutely. My name is Greg Fougere, and I chair the Ontario Association of Non-Profit Homes and Services for Seniors. My colleague, Donna Rubin, is the CEO of the association. We represent the not-for-profit sector in long-term care. Our members represent approximately 26,000 residents who are cared for in

facilities in Ontario, as well as more than 5,000 senior housing units.

Funding in long-term care is something that perhaps is not high-profile, and it's certainly very complex. We were very pleased to see that MPP Monique Smith, in a report, Commitment to Care, has identified a need to fix this. But I'm not going to spend my time here talking about the funding system and the fix; certainly we're presenting on that. What I want to talk about is the people we care for and why immediate funding of \$367 million is required in this sector. This is required now in the full amount.

This funding is a shortfall that's been identified not only by the association but also by this government. The government's own assessment was that \$6,000 per resident per year was needed, which amounts to \$450 million, based on 75,000 residents in long-term care. This year, the government flowed \$110 million, and that certainly has made an impact. But the funding remains well below our identified need for our residents, as well as the government's identified need. Indeed, over the past three years, long-term care has finally started to see some attention in terms of funding requirements for the care we provide.

There has been a lot done in the past year with the revolution in long-term care, and we can see that this government is moving on many fronts to improve care and services for seniors. However, the need now is to go the full way, and \$367 million is required. That's our major ask, in terms of the 2005 provincial budget. We recognize the \$110 million that has been put into the system this year, but one of the issues, one of the things that our members talk about, is that inflation is hardly being dealt with. To make a real impact, we have to flow the full \$367 million now, and not over the four-year mandate of this government.

As well, we need to deal with inequities in funding. The reality is that although this government did partly deal with inequities between funds that are flowing to the not-for-profit long-term-care facility versus the for-profit facility, that balance has not yet been achieved, and that needs to be dealt with further this year.

What I want to do is talk about the people we care for, so that you understand why this money is needed. We care for people who on average are 86 years old. The majority are women. We've provided statistics in your package. Most of the people we care for, about 65%, have dementia. Most need total assistance when they get up in the morning for bathing, dressing and eating. On average, you have one registered nurse caring for 60 of these residents and one personal support worker caring for about 10 residents. Just imagine if that was you or your mother or your father. When you've provided one-on-one care and you're entrusting the health care system and long-term-care facilities to care for your relative, think of how you would do that, where 10 people need almost entire care and are dependent and you've got one person caring for them. It's a feat that's very difficult to achieve.

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Again, I emphasize that the funding is needed now. One of the issues that our members have told us is that even though the government has put in \$110 million this year, and indeed our members are hiring staff—it was a requirement of the funding that they hire staff—they are not dealing with inflationary pressures. In collective agreement settlements in Ontario alone, 3.2% to 3.6% was the range of settlements. Eighty-five per cent of the cost of providing care in facilities is staff. We're a caring business; we're not a high-tech business. So this has a significant impact and hasn't been dealt with, but this is included in our ask of \$367 million.

We're calling on government to honour the remaining part of the commitment of \$6,000 per resident. The government has already stated that they will invest another \$20 million as of April 1. So the \$367-million ask is \$20 million further but \$347 million short.

In the end, it's a question of valuing our seniors. I encourage all members to visit your local long-term-care facility and really feel and see what I'm talking about. This is not a money grab; this is simply bringing care up to the basic standard. Indeed, a study in 2001 showed that Ontario was 10th compared to other jurisdictions in Europe and the States and other jurisdictions in Canada. We're on the road to improving, but we're far from improving. Without the money, we cannot achieve the revolution that the government has set as an objective.

Also, I would like the committee to know that we fully support the investment in community services. Supportive housing is critical, in terms of investment by this government in this budget, as well as investment in community services. This past year, \$29 million was provided to community services, which is a 3.5% increase to the base funding. There were no new dollars for supportive housing.

In summary, our recommendations are:

Increase the operating funding for long-term-care homes by \$367 million or \$13.42 per resident per day in 2005-06—there can't be a delay in this—in order to provide appropriate and proper care in Ontario;

Adequately fund the continuum of long-term care, including community services and supportive housing, allowing seniors to get service in the right place at the right time;

Fully rectify the funding imbalance between for-profit nursing homes and not-for-profit homes for the aged and municipal homes; and

Extend funding to offer services in the community.

Thank you for your time. We'd certainly welcome questions.

The Chair: The questioning in this round will go to the NDP.

Mr. Prue: Thank you very much. A very good document and, I think, a point well taken.

I know this is the budget committee, but getting away from the economics of it all for a second, people in the homes for the aged and people in nursing homes today are much older and much sicker than they were 20 years

ago—I think that's a truism. I know that in my own family, my mother-in-law, who died this past summer, was in a nursing home for a number of years. She had all of the things you describe: She had the on stages of dementia, she had a weak heart, she needed nursing care. The services that were provided, I think, were the best they could. But in that particular home, they were feeding them on about \$3.50 or \$4 a day. Can you describe how it would impact the frail elderly, being required to eat food that perhaps is not up to nutritional standards at that price?

Mr. Fougere: In fact, in the last 10 years, the level of acuity of residents in long-term care has increased 20%, so you're right on in terms of your first-hand knowledge. I assume many people around the table have first-hand knowledge, being family members or neighbours of those in long-term care.

The amount of money for food has increased, but it's still far from what is required. It's now \$5.24, and in this paper—you'll see the details; I didn't go into detail—we are asking for \$6. Just imagine feeding yourself three meals a day and all your snacks on just over \$5 a day; it's impossible. In fact, our homes end up having to steal from Peter to pay Paul; they cannot provide appropriate nutrition on \$5.24 a day. We have many that are taking from other services that residents need in order to do that.

I can assure you that our residents in long-term care are getting appropriate food, but not at \$5.24. It could be at \$7.50 or \$8, but that means they have to cut other services, already where the services are below many other jurisdictions. So we're not compromising on the food, but we are taking from other services that residents need in order to provide appropriate food.

Mr. Prue: I do note that in some of these care facilities the number of volunteers is absolutely essential; in fact, volunteers are used in the place of staff. They are often well intended but they don't have the training. Can you elaborate a little bit on that? It seems to me that that's where some of the money is being saved, but often to the detriment of the people who live there.

Mr. Fougere: Our sector highly depends on volunteers. I'm also the executive director of a 450-bed long-term-care facility in Ottawa, the Perley and Rideau Veterans' Health Centre, and we have 400 volunteers. This is exactly what is occurring right across the sector. I would not say, though, that that is actually where money is being saved. Those volunteers are providing supplemental time—tender, loving care—and really the time with people that our health care workers cannot.

But the bottom line is that \$367 million is required for basic care, not the care volunteers are doing. I'm talking about providing good care in terms of getting someone up in the morning, bathing them, changing them, toileting them and feeding them. Volunteers help in those areas, but certainly those are the areas that staff are responsible for and have the skills to do. We depend very much on our volunteers, but all the volunteers in the world will not provide the basic care we need with the \$367 million.

Mr. Prue: I think you've hit it in the last paragraph on page 12 and on the top of page 13: \$191 million was

promised but \$75 million of the amount was in fact to move people out of hospital, so the actual money that was given last year was about \$110 million, which was not sufficient. How much extra do you require in this budget to get the level of food and the level of care we expect for our frail elderly? I sort of need a hard amount so I can stare those guys across there in the eye and tell them that's what we need to do.

Mr. Fougere: The very last page, page 25, summarizes that in a chart for you.

Mr. Prue: Thank you. I didn't get that far.

Mr. Fougere: That's fine; you just received the paper.

The total is \$13.42, the last column, and you can see the increase in food: 76 cents per resident per day. We're talking about big numbers—\$367 million—but when you're talking about feeding and caring for 75,000 people, this is a small investment for valuing our seniors. The details are provided in that table.

The Chair: Thank you for your presentation this morning.

ONTARIO HOMES FOR SPECIAL NEEDS ASSOCIATION

The Chair: I call on the Ontario Homes for Special Needs Association. Good morning. You have 10 minutes for your presentation. There may be up to five minutes for questioning. I would ask you to identify yourself for the purposes of Hansard.

Ms. Sheri Levy-Abraham: I'm Sheri Levy-Abraham, treasurer of the Ontario Homes for Special Needs Association. I'd like to thank the standing committee for the opportunity to speak with you today.

We represent residential care facilities where our clients are subsidized to reside with us so that we may provide the accommodation, care and meals they require. Our member facilities receive funding under two different ministries, yet provide services to the same clientele: the Ministry of Health and Long-Term Care, through the homes for special care program, Habitat and approved homes; and the Ministry of Community and Social Services, through the domiciliary hostel program. For the domiciliary hostel program, the costs are shared, with 80% being covered by the Ministry of Community and Social Services and 20% by the municipality or region. We represent approximately 500 facilities caring for over 6,000 individuals, with a current maximum per diem of \$41.20. This includes the client's contribution as well as the funding top-up.

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Who are our residents? Our residents include young adults and the frail elderly, suffering with mental illnesses, acquired or organic brain injury and cognitive impairments. We continue to be a cost-effective solution for providing necessary housing and care to these individuals, plus many who are homeless or at risk of being homeless and who in many instances have chronic and severe issues.

When clients reside at our facilities, the readmission rate to hospital is greatly reduced. In most cases they do not return to the streets or to the court system where repeat offenders who suffer with mental illnesses clog the dockets.

We are a vital part of the continuum of services for mental health. Ontarians benefit from our services in both measurable and immeasurable ways. The services we provide through our facilities are comfortable accommodations; three meals a day and snacks; recreational and life skills programs; networking in our communities, so our residents may avail themselves of other day or work programs; housekeeping and laundry; arranging doctor appointments; assistance with activities of daily living; medication administration; case management and counselling; budgeting assistance; and family liaison. The above do not comprise all the individualized services that we may provide to enhance our residents' quality of life.

What are our challenges? The per diem of \$41.20 is obviously too low to allow us to continue to maintain the quality of services and act in the due-diligence manner that is required of us and still remain a viable business. We must compete for staff—registered nurses, personal support workers and social workers—against the wages of hospitals and long-term-care facilities. We are less able to respond to the accelerated financial changes in insurance, energy, property taxes, food costs and much more. Other costs incurred to ensure that we meet the changes in the fire code, privacy laws, the Tenant Protection Act, and labour and health and safety acts become increasingly difficult for us to support.

We are governed by two ministries with different standards and parameters. As well, the discretionary nature of the domiciliary hostel program has extreme challenges. Many homes have been unable to obtain fair financing, be that mortgage refinancing or operating loans. Domiciliary hostels must cater to municipal or regional standards, which vary across the province, and these municipalities and regions may decline to participate in the program or may decide not to allow the maximum per diem of \$41.20.

What are our recommendations? Governments need to recognize the essential services that we provide, and protect our clients. The per diem must be increased to \$51 a day so that we can continue to operate. A day at the hospital for our clients costs over \$650; nursing homes, \$120; and our jails, \$140. Make the funding of these programs a line item in the ministry's annual estimates. We need to ensure that uniform standards and guidelines are developed. The scattered programs should be under one ministry. We would also recommend that governments consult with OHSNA in the development of such standards.

I'd like to talk on behalf of the residence that I operate. Many of the people we have at Bethany have been homeless. We have taken individuals directly from the street and provided care and services to them, and they have remained with us for eight to 10 years. For some people—I don't want to talk specifically of in-

dividuals—their family thought they were dead for 10 years and we've been able to put them together with their family. We also have individuals who for 25 years have lived on the streets and are with us and have remained with us.

I think that as a society, we are all concerned with homelessness and with the issues of mental health, yet you have cost-effective programs that have been around for about 30 years that are getting ignored. What is happening is, as taxpayers, when governments implement good homelessness initiatives, when they have good programs out there, can we trust them to maintain them and maintain the integrity of them being able to provide the services? We are a clear example of this not happening. I think one of the reasons is because we are small in terms of your total overall budget and it's too easy to lose sight of this. That's all I have to say.

The Chair: This round will go to the government.

Mr. Wilkinson: Thank you for coming in. We really appreciate it. It's a great comment you made at the end, because it's a \$75-billion government and it seems that the smaller something is, the harder it is to deal with. The government is so focused on the big picture—and they have to be. We're the only people who actually do that.

I believe one of your members is in my riding, the Crest Centre, just outside of Lucan. I visited them just a few weeks ago. This idea about the dual ministries—they had a problem about wage disparity between the two groups, and that seems to have been settled over time, which I was glad to hear. Can you make a more specific recommendation about which ministry? This place runs by ministries—who's accountable for the money?—and that's fair.

Ms. Levy-Abraham: I think one of the major impediments to the two programs coming together is the fact that for the domiciliary hostel program, which I think is the larger of the programs, it is cost-shared with the municipalities and regions. They don't really want to give up on that cost-sharing ability. I would make the recommendation, however, that we come under health, because we are dealing with health issues and with the continuum of mental health services. So very often what happens is that the domiciliary hostels get totally lost in the shuffle. When you did the task force report on mental illnesses, it was very difficult to speak. You have to push yourself in there, although you really are part of that continuum. To me, the recommendation would be that it come under health.

Mr. Wilkinson: So make it under health, make them responsible for it, and make the other ministries report to them so that from your point, where you're providing the service, it's seamless. Instead of having to deal with two different ministries and the cost-sharing municipality, you just deal with one ministry. That would make your life a lot better, I'm assuming, just from an administrative point of view.

Ms. Levy-Abraham: Yes. I think the municipalities would prefer that as well.

Mr. Wilkinson: Right, because it would be easier for them.

Ms. Levy-Abraham: Yes.

Mr. Wilkinson: I just want to get back to your case about the costs and the need for an increase. We get this all the time: For the lack of a nail, the kingdom is lost. You're actually providing a valued service that is keeping people out of the more expensive parts of the system.

Ms. Levy-Abraham: Absolutely.

Mr. Wilkinson: And it just seems that your voice, like so many cases, is not heard when we had, for example, the \$11.5-billion hospital sector come today.

We see the cost side, but it would help if you could flesh out the benefit side. In other words, "An increase from \$40 to \$50 is specifically this amount of money, and this is what it's going to save you or this is what it is saving you in the system." Have you got any numbers on that?

Ms. Levy-Abraham: I can only talk from the facility that we operate. I do know that our recidivism rate to hospitals is less than 0.5%.

Mr. Wilkinson: Wow.

Ms. Levy-Abraham: So right there you have a huge savings in the fact that we are here and we can maintain services. We also run a facility that is full to capacity, has a waiting list and is looking to expand.

Mr. Wilkinson: So if you were under health, you'd be falling under the whole idea about the local health integration network.

Ms. Levy-Abraham: Absolutely.

Mr. Wilkinson: The idea about trying to get money invested upstream to reduce our costs downstream in the hospitals, where it's so expensive.

Ms. Levy-Abraham: Absolutely. Most of our referrals do come from hospitals, from CCACs, and they may come from supportive housing. So they come from those services within the Ministry of Health.

The Chair: Thank you for your presentation.

This committee is recessed until 1 o'clock this afternoon.

The committee recessed from 1159 to 1305.

DON DRUMMOND

JACK MINTZ

HUGH MACKENZIE

The Chair: The standing committee on finance and economic affairs will please come to order.

We have three gentlemen who will be presenting shortly. For the committee, it was determined that each party would invite someone of their choosing to present today. They would give a 10-minute presentation, and it was suggested that those three gentlemen—as it happens, they are all gentlemen—would discuss for 20 minutes amongst themselves what they have just presented. That, taking 20 minutes, would leave approximately 40, so we would divide the time between each party equally, roughly 13 minutes each for questioning in rotation.

Are we agreed on that? Agreed. Very good, then.

Our first presenter this afternoon will be Don Drummond. You have 10 minutes for your presentation. I would simply ask that you state your name for the purposes of our recording Hansard.

Mr. O'Toole: Just for clarification, I want to make sure that the first presenter is Don Drummond, the second one is Jack Mintz and the third one is Hugh Mackenzie, and then we go into the round table.

The Chair: I will be calling their names for those presentations, but you are right.

Mr. Don Drummond: I'm Don Drummond. I'm the chief economist, TD Bank Financial Group. Thanks very much. It's an honour to give a presentation, especially centred by these two gentlemen. I don't know if we'll find out later in the day that the guy on the left should be on the right and the guy on the right should be on the left, but that may come out. Anyhow, I'll start off from the middle. I'm going to talk briefly about the economic outlook, what that means for the fiscal outlook for Ontario, and then get into a couple of specific issues for the budget.

First, on the economic outlook, you'll see on page 4 of my handout that I just replicated the assumptions that were in the 2004 budget and then compared that on the second line to the current Toronto Dominion Bank forecast. The major element will be a softer 2005 than was expected at the time of the budget. If you will, blame that on the exchange rate—that's the major change to the Canadian economy since the budget was done last spring—and, of course, the major impact of the exchange rates on the manufacturing sector. That's heavily concentrated in Ontario, so relative to 3.2% growth, for the current year we're expecting 2.5%, and basically similar growth rates afterwards. So that level of output stays lower throughout the piece. You can see that's translating into somewhat lower nominal GDP growth, which is directly relevant for the revenues.

Offsetting that somewhat, with a weaker economy, lower inflation pressures, a view that the central bank determine interest rates at the short term—and the longer-term bond yields will be somewhat lower than at the time of the budget, so there's a bit of an offset there.

The basic setting for this is a reasonable but not terribly robust growth scenario for the United States and somewhat stronger growth this year in Canada than in Ontario. Again, that's largely the exchange rate phenomenon, with the exchange rate hitting Ontario somewhat harder than the rest of Canada. You can see that our assumption is that we will be in the current 85-cent range of the exchange rate this year, and similar ranges going forward. While everybody's talking about a strong Canadian dollar, our view is that we're around the level that one would think we would sustain over time. It's not particularly high; we've just gone from terribly under value to one that's probably in the ballpark, and we'll stay roughly in that current range.

So on the top of page 5, what does that mean? Just using the rules of thumb from the Ontario budget, that would suggest, with nominal GDP down about half a

percentage point, it would be about a \$250-million hit on revenues, with a slight offset from lower debt charges, but more or less, looking at fiscal 2005-06 and forward, there will be a hit to that budget track, and also a hit to the revenue track that was produced in the fiscal update of about \$250 million.

So at the bottom, I just replicated the projections that were in the budget, and in the update, basically a track going from a deficit of \$6.2 billion last year to a balanced budget which, I argued at the time, was a reasonable track, although one would obviously like to see the budget be balanced sooner than that, but I thought that that itself was going to be quite a difficult task, and I certainly wasn't pressing to have it go faster than that. I'll tell you, I think there are a lot of pressures against that. Let's talk about those at the top of page 6.

I think the key feature of the budget and the one that concerns me is that it does involve program spending growth of only 1.9% a year. That may not seem all that draconian, but put that in context: Since 1997, program spending in Ontario has increased almost 6% a year, and the average of this year and last year is almost 9%. So it is very much of a different kind of era that will be required to hit those budget targets.

If you look at it in different terms, 1.9% might seem a little on the generous side, but that's basically just the rate of inflation. So if you look at the program spending track in real terms per capita, it would actually need to decline from now through 2007. I think that would feel different. It would be a very different operational level for the government to uphold this program spending from that 6% to 9% range into that.

On top of that, there were a number of pressures that were not identified in the budget that would have to be dealt with as well. One—a move I'm never in favour of—is booking savings before they're secured. There were substantial savings booked on so-called program efficiency targets that amounted to \$800 million by 2007 that were not identified, where those savings would come in the budget.

There are a number of elements as well which I suspect, although without having all the details in the budget, you can't be quite sure—we haven't got an OMA agreement yet, but I suspect that that has not fully been provisioned in the budget. I think some of the likely compensation increases are not there. Some of the election promises are not—the funding has not been set aside for reducing class size and whatnot.

Wearing my other hat, we will be coming to you shortly with the Bob Rae task force on post-secondary education with some recommendations, and while we're very cognizant of the fiscal situation, I think you're not expecting that those recommendations will be free. Again, no money has been set aside for that.

We're in the process of bids on Stelco. I suspect anybody who's bidding on that won't completely take care of the pension problem, and there's already a deficit in the pension benefits guarantee fund. So even with additional Canada health transfer money, I think that

already, with the requirement to get that program spending down very tight, there's a number of pressures that are encompassed.

The solutions aren't that easy. People always recommend to you to do asset sales. I say if it makes sense, if it can run more efficiently, sure, put it into the private domain, but from a fiscal sense, it really shouldn't count. Really, all you're getting is just the net present value of the future dividend stream. That really should not be the "solution."

Certainly, if you look back to the corresponding period, the federal government—it's no secret that one of the keys for getting program spending was cutting the transfers to other partners, including the provinces, but, of course, on our consolidated accounts, if you cut the transfers to the schools and the hospitals and the school boards and whatnot, if that incurs a deficit on their part, that doesn't help your bottom line. It's difficult because, I would argue, you can't go back to the income tax well after having done it once.

Just briefly, on the top of page 7, then, in addition to these pure fiscal—we just released a report today emphasizing what little progress has been made in real per capita incomes of people in Ontario. In fact, it's not that dissimilar from the rest of Canada. That needs to be addressed through higher productivity and, I would argue, ultimately through tax cuts. So I'm not so unrealistic just to think that that's something that could be addressed in the next budget.

It was interesting when we had the meeting sponsored by the Ontario Chamber of Commerce recently, in September. When they listed the things that were of most concern to them, it wasn't just taxes and taxes and taxes that were there; border infrastructure and the processes were ranked up very high. Future supply and hence the price of electricity were very common. In fact, the number one concern was the shortage of apprenticeships available in the province. I'll show in a moment the heavy tax reliance on income and capital.

My point on the income is that, while we're used to seeing measures like real gross domestic product per capita or even per worker go up, if you look at what really matters to people, what personal disposable after-tax income is per worker, it actually hasn't gone up in Ontario since the late 1980s. In fact, since its peak in 1992, it has come down. So this is a bit of a reconciliation. When you speak to constituents, they might say, "It doesn't mean very much to read that gross domestic product has gone up because we don't feel any better off." If they are valuing their economic well-being from their disposable income, they're absolutely right; they aren't any better off.

I would argue—and again, I'll borrow two seconds here to make a pitch for what will be coming to you in early February on the post-secondary education side—there does need to be an additional allocation of resources there within the need for lower program spending. Ontario, as you know, ranks ninth in terms of its operating grants to post-secondary education per student. Just

bringing that to the national average will be \$1 billion a year. It's not just about money. We have a totally dysfunctional student financing system; it needs a major overhaul as well.

Interestingly enough, when I put together this presentation, all I knew was I was going to be one of a three-party panel; I didn't know who else was going to be here. So I'm going to skip over these next two charts really quickly because the author of them is sitting right next to me. I would just point out that the constant refrain of the Ontario government that our corporate tax system is competitive because our statutory rates look favourable compared to the US is a bit tiresome. It has been well documented, led by Jack, that if you look at the all-inclusive tax on capital, we're very high relative to the United States and to virtually every competitor we have. Of course, it's not just the statutory tax rates, it's Ontario's capital tax, the property taxes, the fact that the provincial sales tax hits capital inputs and a variety of other factors as well.

When you look at the bottom of page 9, on the personal income tax side, I've always argued we need to get the marginal personal income tax rates down. People always assume I'm talking about people who make over \$100,000 a year. This will show those aren't the people who are being hit by the really high marginal tax rates. It's people in the \$20,000 to \$45,000 income range. In fact, while this chart shows people with very low marginal tax rates, in the zero to \$15,000 tax range, it actually doesn't correctly encompass how welfare works and the loss of a whole host of in-kind benefits when you come off welfare. So those people actually face very high marginal tax rates as well.

To summarize, I agree with the balanced budget schedule. I think it's going to be very difficult to get there. Quite frankly, I'm puzzled about where we are. I don't think Ontario citizens have a sense of the difficulty in that fiscal plan and the need for the austerity that's going to come forward. In fact, the first signs we've seen in the public have been a couple of headlines just in the last couple of days about some cuts in the budgets to the hospitals. I think a different era will have to be put into place and Ontarians are going to have to buy into that, but before they can buy into that, they're going to have to be more aware of it. The easy solutions are basically out, and one of them that I think has to be out is going back on the income tax side. Thank you very much.

The Chair: Thank you. Now, for the committee's benefit, we'll hear from Mr. Mintz. You have 10 minutes.

Mr. Jack Mintz: Thank you very much. It's a pleasure to be back before this committee. I provided copies of my notes and, if you don't mind, I'm actually going to read them since I did spend time early this morning writing them. I thought it would help, given the time limit, to organize my thoughts in the best way. I'm going to have a very similar theme as my colleague to the right of me, Don Drummond.

Let me begin by saying that one cannot envy the position of Ontario's Minister of Finance at this time. To

keep promises of balancing a budget by the end of the government's mandate, avoiding further increases in uncompetitive taxes and increasing spending on education, infrastructure and social services, never mind the endless demands of the health care system, makes budget-making an impossible task. With a rising Canadian dollar that especially hits the manufacturing sector in Ontario, his most important task is to change the expectations that people have of his government for new spending. He needs the support of his fellow ministers, as the upcoming budget will have to include some painful decisions.

Indeed, last year's budget forecasted an increase in expenditures of only 2% a year for the following three years—3.5% for health care—an impossible task when public expectations have been fanned that spending will be enhanced in several areas. Even in the case of health care—new spending supposedly to be funded by \$1.6 billion in the new Ontario health premium and close to \$1 billion in new federal funding for health—the public's expectation is to see significant new spending on health. Yet the headlines are different, as the Minister of Health is trying to contain costs and reform the system, much like the past nine years.

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With inflation and population growth at a combined annual rate of 3%, even the most conservative fiscal planners would not expect expenditures to be held below that amount. Add on the aging of Ontario's population and the cost of new medical technologies, and it is hard to see health care spending being capped at 3.5% per year. Further, with Ontario's nominal growth likely falling to 4.5% in the coming year, and I mean 2005—I should say I didn't see Don's numbers until I just heard them now, so, Don, I didn't run the macro model, but that was just my intuition—it is hard to see how spending increases beyond 2% can be accommodated without giving up on a fiscal plan to balance the budget by 2007.

So what can the minister do? One action is to give up on the promise to balance the books. This is not a good long-run strategy for a province that currently has close to \$140 billion in debt—about \$48,000 for a family of four. While the fiscal pain of spending more than revenues can be put off to the future, it will be Ontario workers who will have to bear the brunt of an already gathering tax burden as society ages within two decades.

The second strategy is to increase taxes further, as seen with last year's health premium, of which the second-stage increase is implemented this coming year. If Ontario were a low-tax jurisdiction in North America, tax increases would be sensible to consider. But Ontario is not fiscally competitive at all. In work for the Institute for Competitiveness and Prosperity, Duanjie Chen and I have shown that Ontario is fiscally disadvantaged, compared to five important US states, for most industries. Taking into account income, sales and payroll taxes, and subtracting subsidies related to health, education, social security and insurance, research and infrastructure expenditures, federal and provincial fiscal measures

increased the cost of doing business in Ontario by 29% in 2004, compared to roughly 16% in the United States. Even after accounting for fiscal deficits in the United States and Ontario and planned tax changes in both countries, the differential suggests that Ontario has little room to increase taxes without impairing its economic prospects further. If anything, further cuts to taxes to improve the climate for investments are warranted if Ontario is to enjoy better economic growth in the future.

Let me add that I did provide you with some tables that were taken from that report that Duanjie and I did. Of course, if you have any questions later to ask me about them, I'll be happy to answer them.

The last strategy is to hold the line on expenditures, which is a difficult task, for sure. But some savings can be achieved to accommodate growth in other areas. Holding the line on salary increases and transfers to public bodies at 2% could be one strategy.

Other, more difficult, strategies could also be pursued. First, it must be recognized that additional spending on programs should take into account demographic trends that would lead to less growth in spending. Take, for example, education, and here I'm really talking about elementary and secondary education. With falling student populations in elementary grades, sharply rising per student spending on education will not necessarily lead to better quality, as demonstrated by the lack of relationship between education spending and OECD test scores across provinces and countries. Instead, Ontario should look at education reform as Alberta has successfully done: school choice, school-based budgeting and open borders within the public sector.

Second, sizable public sector companies should be considered for sale to the public. The LCBO need not operate as a public company. In fact, additional competition would improve efficiency and revenues in the long run.

Third, new approaches to funding health care should be considered beyond using general revenues, of which its incidence falls on all groups in society already. Certainly, an insurance-based approach, by reforming the health premium to include deductibles and other user-pay-related approaches, can help increase Ontarians' awareness that health care costs money and that measures are needed to improve effectiveness.

Fourth, the government should stay away from industrial subsidies and tax preferences, like film tax credits, that are targeted to specific industries. It is far better to accelerate capital tax cuts, reform the antiquated provincial sales tax and cut corporate income taxes further as an alternative to targeted subsidies.

There are no silver bullets to solve the finance minister's problem. However, one thing can be done to help him, and that is for the government to communicate clearly to the public that it is in a fiscal dilemma. It cannot spend much, cut taxes or balance the books unless difficult fiscal decisions are made. That fiscal reality must sink into the minds of Ontario's public.

The Chair: Thank you. Now we'll hear from Mr. Mackenzie. You have up to 10 minutes

Mr. Hugh Mackenzie: Thank you, Mr. Chair and members of the committee. It's always a pleasure to be here. It's nice to see some people continuing from year to year. I always enjoy these conversations. I'm tempted to start with the Monty Python line: "Now for something completely different."

What I'd like to do today is take you through some of the key insights that I'd like to share with you from the analysis that I've done of Ontario's budgetary situation, and that's detailed in the paper that I handed out to you. What I'm going to do is direct your attention to just a few of the sets of numbers in here to give you a sense of where we go.

Let me give you the top-of-the-line headline first. The top-of-the-line headline is that my read of the fiscal situation of the province is that there's a great deal more flexibility in the hands of the Minister of Finance than the numbers that the government has published at budget time and in the November update would have us believe. That's true both of the forecast for the current fiscal year, 2004-05, and also for the four-year forecast looking out.

Let me just say, before I get into it, that there is one area where I think the three of us will agree. I have difficulty imagining a scenario in which the four-year projection of spending is realized. I think where we may differ is that I don't think the government should be trying to do that, but I think we would all agree that a forecast based on 1.9% growth is not going to happen.

Let me talk first about the current fiscal year. The budgetary balance numbers for this fiscal year are a little bit screwy anyway because the \$2.1 billion that was forecast at budget time, much of that improvement from the year before—in fact, more than all of the improvement from the year before—was accomplished through accounting, not through any change in the fiscal circumstances of the province. I'm referring to the \$3.81 billion that the government decided to count as revenue for this year as a result of the electricity restructuring and the transfer of some financial obligations from taxpayers to electricity consumers that took place as a result.

Starting from the perspective that the numbers for this year are a little bit fanciful anyway, let me suggest that there are a number of areas where I think we can look realistically at a more favourable fiscal situation than is projected. I'll focus on three specific areas.

One is in the forecast of revenue. I have a little model of the provincial revenue system, and when I take the growth rates that, according to the government, it's relying on from the November statement and plug those in, I get forecast revenue of nearly \$1 billion higher for 2004-05 than is being projected.

The second area of additional flexibility that I see is that we commonly think of the provincial budget as providing for a reserve against contingencies of \$1 billion, because that's the number that appears on the front page of the fiscal outline as the reserve amount. In fact, the reserve that's held by the government is about \$2.1 billion. It consists of the \$1 billion plus another \$850 million as a reserve that's built in to the estimates for

Management Board and \$150 million that's built in to the estimates—I think it's for finance—for capital.

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In the six months ending September 30, that \$2.1-billion reserve was only drawn down to the extent of \$24 million. When I look at what has happened in terms of either program spending or transfers from the federal government or other revenue sources, I don't see anything having happened between then and now that is going to eat substantially into that. I include in that observation the implications of the OMA deal and the implications of the announcement yesterday of the additional funding for hospitals, both of which easily get absorbed by the increase in federal government transfers for health that are incorporated in the September 30 numbers.

You'll have to forgive me because this is a bit pointy-headed, but the third area in which there is additional flexibility—and it really starts to show in the numbers when you look at the four-year estimate—is in the government's estimates of its debt servicing costs. I will mention that now; I'll want to get into it in a bit more detail when I turn to the four-year numbers.

Looking at the four-year numbers, my contention of the underestimate of revenue for this year telescopes its way through the four-year forecast. Incidentally, one of the things I find interesting is that the revenue forecast for those four years, internally to the four-year forecast, I think is pretty reasonable, given the growth assumptions. The problem is that the starting point is lower than I think is going to happen.

The second area of discrepancy that I see has to do with estimates of transfers from the federal government. This is always a little bit of a murky area because we don't get reliable forecasts from the federal government's end of what it intends to do. But let me just share with you the numbers exercise I went through to come to the conclusion that I have.

There is one area of federal government transfer revenue that we know about, because the federal government takes great pains to let us know exactly what it is forecasting to transfer to provincial governments for health care. There is another one of those detailed reconciliations announced as a result of the September accord. If you take those numbers and then take the government's forecast in the November statement for transfer payment revenue from the federal government, what you find is that the province's forecast requires there to be a \$1-billion cut in federal government transfers in areas other than health in the third and fourth years of the four-year forecast. I don't know about anybody else, but I don't think that's a reasonable assumption. If you make what I think is probably a pretty conservative assumption that federal transfers in areas other than health will stay flat, you've got \$1 billion in extra flexibility in the two out-years of this forecast that aren't taken into account in the four-year numbers.

The last area that I want to talk about here is going back to the point I was making about debt servicing

costs. The four-year forecast shows debt servicing costs going up substantially over the four-year period. In fact, if you go underneath the deficit forecast to look at how much is actually going to have to be financed in new debt and compare that with the rate of growth of interest payments, what you find is that the government is forecasting that its debt service costs are going to be increasing more rapidly than the underlying debt that it's financing. That, in turn, implies an assumption that the percentage debt servicing cost is going to go up over this period. Frankly, that's patently unreasonable. So on the surface, that's an unreasonable assumption.

I'm going to illustrate how anally retentive I can be by saying that I went back and looked at the tables for coupon rates and debt service costs for the securities that are coming up for refinancing that Ontario has out over the next four years and looked at what the likely refinancing cost would be for those. When you take everything into account, including some securities coming due that were financed in Japan and elsewhere at very low rates—but amalgamating them all together—you get very substantial reductions in the cost of servicing Ontario's debt because the debt that's maturing was incurred in the early 1990s at coupon rates in the range of between 10% and 15%, some of them as high as 15% and 16%, and most of them in the range of 11%. Those will be refinanced at current long-term bond rates in the range of 4.5% to 5%. So we're talking about quite substantial reductions in debt service costs, which has a significant impact on the likely fiscal flexibility that the government has.

I know I'm getting close to the end, so I'm going to wind up. Bottom line, the starting point for our discussion is a great deal more fiscal flexibility at the end of this four-year period than the government is letting on.

I wouldn't be holding up my end of the spectrum if I didn't also draw attention to my view that, even if you take the view that there's no room to move in generating additional revenue through increased tax rates, there are some areas of tax expenditure in which the government could generate significant additional revenue. The two that I think are the most significant are the exemptions in the employer health tax, which reduce Ontario's revenues extremely significantly, and the other thing is—

The Chair: You have about 30 seconds.

Mr. Mackenzie: Yes. The other key one—and this may be something that the three of us might get into a discussion about. I estimate that, even when you net out some of the tax subsidies that we might like, such as those for film and television production, if you were to harmonize Ontario's corporate tax provisions to federal tax provisions—in other words, if you got rid of the Ontario-only tax loopholes and had a single corporate tax system at the federal-provincial level, harmonized to the federal structure—we'd generate something in the order of \$800 million a year in additional revenue from our corporate income tax.

The final point I'll conclude with is the point of agreement, and I'll just throw another number out on to

the table. Implicit in the government's four-year forecast of expenditures, if you play it all out, is the assumption that programming capital spending in Ontario, by the end of this government's four-year term in office, will be lower as a share of GDP than any of the years that the Harris and Eves governments were in power, except for one.

The Chair: Thank you. The committee has invited you to make comment on one or the other presentation. As Mr. Mackenzie has just finished, perhaps one or both of the other two gentlemen would like to make a comment.

Mr. Drummond: I went first; I guess I'll go first again. The presentations that Jack and I made were quite similar. Don't be alarmed by this. It has happened to us before. Perhaps that's why we're not usually invited together on panels.

Mr. Mackenzie: They should neither be alarmed nor surprised.

Mr. Drummond: Interestingly enough, both of us focused almost exclusively on policy issues. The only reference was when we took as a starting point the forecasts that were in the government's spring budget and then were updated in the fiscal update. So you'll recall that my references to the outlook were sensitivities off that; I didn't go back and question those base assumptions, and I'll come back to that.

In terms of policy prescriptions, we're fairly similar that there still are issues on the revenue and the tax side, and there are a number of structural changes that should be made on the spending side.

Let me just come back, then, to the forecast side. Hugh has opened up an area that I didn't get into, and that is questioning the projections in the budget and the fiscal update, most particularly on the revenue side and the public debt charge side. I find particularly what he's saying on the public debt charge side to be very interesting. Again, I've accepted the budget's forecast of that. Forecasting interest on the public debt, if you have the interest rate in Ontario, should be child's play. It's mechanical: You track the number of issues that are outstanding; you know what the coupons rate are; you know when they're retiring; you know when they're turning over. You could be off, but you can only really be off because you've got the interest rate forecast off. While my forecast of the interest rates is somewhat lower than was used in the budget and the update, it's not that much lower.

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There are very fascinating things going on in bond markets right now. I'll admit that I don't quite understand why longer-term bond rates are as low as they are, but I'm sticking to my story: They will go back up to more normal levels. So these savings that are occurring right now won't be saved over time. Now, Hugh seems to be suggesting something different, that somehow there is not a proper accounting for the cost of the bond programs. That would flabbergast me if that were true, because I know I've done that on the federal side.

Forecasting public debt charges with a given interest rate is not a very difficult thing to do.

On the revenue side, basically Hugh was saying, "Well, count on doing better," in part because in the starting year, the revenues are coming in stronger. Even if that were true, recall, in my forecast—and Jack and I, coincidentally, even had the same number. Our gross domestic product forecasts are lower than was used in the budget and lower than was used in the fiscal update. So some of that revenue—a premium, if indeed that was the case, was coming in stronger—would go down.

I'm interested in that. I would be interested to see a reconciliation of what Hugh was saying, particularly on the public debt charges, with the budget assumption. I guess my generic point would be, don't count on closing your eyes and hoping things will turn out better. That approach hasn't served governments very well in the past. If that budget forecast is a reasonable base, I still come back that that's going to require a very tough and austere expenditure regime to hit those targets.

Mr. Mintz: I'll just be brief about two points. I hate to pick on Hugh, since he's a good friend and we've worked many years in the past, but I just want to raise two questions, I think, on Hugh's calculations on the debt service costs. Hugh's exercise, which is quite an interesting exercise, is fascinating, but I'm afraid that he might be missing some important information that would be very hard for him to get, I would assume, in making these calculations, and that is to take into account swaps going from long-term interest rates to short-term interest rates. That, of course, could affect the servicing costs that are being estimated. So even though you may look at those bonds that were in the past, they may have been swapped into short-term interest rates, and as a result, the costs are not exactly what you think you're measuring. It's not entirely clear. So I would go by the government's forecast and not necessarily question that, as Don would.

The other point is, actually, Hugh and I do have some common views on the value of base broadening under the tax system, in that, like Hugh, I would argue that I don't like special targeted preferences. I made that comment on film tax credits. Hugh, I think, was willing to go ahead with film tax credits. I'm a little disappointed in that, Hugh, but that may be for good reason.

Mr. Mackenzie: Actually, not to put too fine a point on it—and this may be a bit arch of a point—but I think, unfortunately, that's the game. I wouldn't do it through the tax system. I would be up front and give them a grant.

Mr. Mintz: Well, I'm not sure. The problem I have is that when the dollar falls again, I can assure you the film tax credits won't go down.

I don't like these targeted—because what happens, actually, over time is that all sorts of industries are going to need help, and when you start the process of giving help to one and then somebody else comes along and says, "I need something," then soon the tax system and expenditures look like Swiss cheese, in that we have all sorts of holes in the system.

My preference, by the way, if you ever do base broadening, is to do it in terms of financing rate cuts; in

other words, it all stays within the tax system and does not go into new expenditures.

Mr. Mackenzie: One observation—since Jack and I are flying on a level of agreement on something, let me just carry it on a little bit further.

Mr. Mintz: I'm not sure you agreed on that last point.

Mr. Mackenzie: Well, I'm going to finesse that. My concern about tax expenditures is partly a similar kind of philosophical view to the view that Jack has expressed. I also am very skeptical that they work, and that observation applies in spades, I think, to tax preferences in the corporate tax system which you attempt to deliver at a subnational level.

In fact, where Jack and I encountered each other the first time was when I was the executive director of the Ontario Fair Tax Commission. We spent a fair amount of time in that work looking at management of corporate taxes and corporate tax planning. I came away from a lot of that work with a view that the consequence of creating a variety of different corporate tax regimes, particularly at a subnational level, is that you simply increase the range of opportunities, the number of factors that you have to play with in tax planning. So the net effect of it is that you don't get any additional economic activity; what you get is less public revenue.

These additional tax preferences that we have in Ontario, first of all, are operating on a relatively small corporate tax rate in the great scheme of things, so they're not delivering a huge amount of money in relative terms. As I said, I'm quite skeptical that they actually achieve anything. One of the things we do know they achieve is that they reduce the government's revenue take from corporate taxes.

The Chair: Any further comment on presentations among the three of you? Hearing none, we'll move to questioning. I will endeavour to divide the remaining time equally among the three parties, and we'll begin with the official opposition.

Mr. Jim Flaherty (Whitby-Ajax): Thank you for doing this this afternoon. We all appreciate it.

In my new role as a visionary, given that David Miller now agrees with my view on homelessness and Jean Charest agrees with my view on independent schools and the funding of religious schools—the other Liberal government in central Canada—what I see in my vision now is 1972: Robert Stanfield, Pierre Trudeau, wage and price controls.

I've listened carefully to what you've said today. We know that about 80% of provincial spending is in the form of transfer payments to hospitals, schools, universities, municipalities and the broader public sector, and more than 70% of that is spent on salaries, wages and benefits. Given the picture that is painted today, I'm mindful of the letter that the Minister of Education sent not long ago to some of the union leaders in the education sector asking them to restrain their spending demands to 2% in the next fiscal year; I think 2%, 2% and 3%, or something like that, going forward. Quite frankly, I'm looking for another way that the minister

could balance the budget in Ontario going forward, other than restraint in wages, and I'm having trouble finding that, other than the tradition of going to Ottawa for a bailout and expecting Ottawa to be very generous in its funding to the province of Ontario from its substantial surplus.

I'd be interested in your views, any of you, on how, on the spending side, you could see the necessary restraint being accomplished, other than in restraint in the area of wages in the public sector and the broader public sector.

Mr. O'Toole: If I could just add to that to supplement what Jim is saying, if I look at the minister's own assumptions, he is assuming that 1% in OHIP is \$58 million; for every 1% in the OHIP agreement, \$58 million. For nurses, for every 1%, it's \$34 million. For elementary and secondary school teachers, for every 1%, it's \$115 million. In the broader public sector, it's about \$50 million for every 1%. Each of them has an expected level of about 3%. There's \$1 billion right there.

That's what Jim and I are concerned about. That's the drive here. That's what we heard from the hospitals. How do you control it?

The Chair: If one of the panellists wants to answer, if you would indicate by a show of hands. Although all three of you can answer, it would help the Chair to recognize one of you. Mr. Mintz will go first.

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Mr. Mintz: First of all, I did try to provide some things, Mr. Flaherty, but I do agree with you: I feel that simple wage restraint is not the way of trying to deal with the long-term issues Ontario faces, and the importance of the fiscal situation in Ontario could impact in terms of its overall economic growth over time. I am a very strong believer in seeing restructuring of government and seeing some major changes. Some of the things I indicated in my notes were really trying to point toward changes that I think are required; for example, the way we run the education system.

I'm a great believer in school choice in the public system. In fact, after spending a lot of time reading material about Alberta, the United States and other educational systems, I can see that it is not a matter of spending; it is a matter of restructuring the system, and we can achieve quite a bit along with that. In fact, if you look at what could potentially happen following that approach, I think you would find that in Alberta, for example, per-student spending is less than here in Ontario and yet they get much better results associated with school choice.

Certainly I don't believe we need as many public sector bodies owned by governments. I think that some important efficiencies could be achieved. Although I purposely stayed away from talking about power in my notes, I think that power is an area that needs vast reform. Although I think the government has made some interesting progress over the past year in trying to move to marginal cost pricing, there are, in my view, too many rigidities still in the system. Of course, we have put on some significant taxes in that area, like the debt retire-

ment charge, which is trying to make up for some of those costs. So I do think that restructuring is very important.

Let me lay out one other point, and that's the importance of fiscal responsibility and accountability. I believe that at times you need transfers between government bodies—federal to provincial and provincial to local etc.—but I also think the best kind of accountability is when people, if they have to spend money, have to raise the taxes themselves. I don't believe that simply having a gas tax transferred to the cities is a very good way of trying to accomplish political accountability. I'd rather see the cities—if they want, they can raise taxes from their own voters in order to pay for their public expenditures.

I also believe there's a significant gain to the federal government's considering a tax cut, and if the provinces want to raise taxes in order to fund public services that they need, I would prefer that route as opposed to going the route of transferring revenues all the time. The reason is that I think we get a much better and more efficient government operating where people can really express their desire for the kinds of services they want. Instead, we get into a mug's game, where all of a sudden the provinces blame the federal government for not giving enough money and the federal government is saying, "Well, it's not our responsibility, because you're spending the money and you're doing what you're doing," whether it's the health care system or other things we're funding. Similarly, we get the cities blaming the upper levels of government for not giving them enough money, and yet the upper levels of government, seeing what kinds of decisions are being made by the cities, start saying, "Why would I want to give more money to you when you're not necessarily acting responsibly?"

I think those are areas that could be looked at in terms of restructuring over time. Whether that will deal with the immediate issues in the budget in this coming year is another issue, but certainly I think that a number of things need to be done vis-à-vis restructuring government and making it more effective and more efficient.

The Chair: You have about seven minutes left. Do you want to make a comment, Mr. Mackenzie?

Mr. Mackenzie: I just wanted to make one observation on that point. I guess it shouldn't surprise you to hear that I think that one of the keys for dealing with this problem—and I do accept that it is a problem; I think we're going to see how complex it is to deal with collective bargaining in the public sector by sending letters out. I don't think it quite works that way. I think that one of the critical tasks that any government in Ontario faces is addressing the problems with the revenue system.

There are two issues in that respect. One is that if you look at the responsibilities for public services relative to fiscal capacity, Ontario needs more fiscal capacity and local governments need more fiscal capacity. In principle, I agree with Jack: In an ideal world, we would have revenues better matched with expenditures in the three orders of government in Canada so we don't have this

buck-passing and trotting back and forth from one place to another. Failing that, though, there has to be some recognition, both in transfers from the provincial government to municipalities and in transfers from the federal government to the provincial governments, that there is this fiscal imbalance that has emerged, and that is evident in the fiscal issues.

My second point about revenue, and this is pretty adventurous on my part, I have to say: One of the things we need to think about as a country is how we've divided up revenue-raising responsibilities and revenue capacity among the levels of government, in particular between provincial governments and the federal government. It probably wouldn't surprise you, given the point I made about corporate taxes, that I actually don't think it makes any sense at all for provincial governments to levy corporate taxes. I think it's just an invitation to tax avoidance. If somebody made me czar for a day, I'd engineer some sort of trade of revenue responsibilities between federal and provincial governments, so that provincial governments were able to rely more heavily on tax bases that they could defend against avoidance and the federal government took responsibility for tax bases that are more difficult for subnational jurisdictions to defend.

The Chair: Mr. Drummond, do you care to make a comment?

Mr. Drummond: I'm cognizant that the more we speak, the fewer questions we'll get. I guess I'll come back to the original question: What are the different ways of balancing the budget? Certainly, I'll draw upon my experience. I was the bureaucrat leading the program expenditure exercise at the federal level in the mid-1990s, and certainly there are a number of successes and a number of things we could have done better at that time that stick in my mind.

I think the worst thing we did was focus on particular employment targets and say, "We're going to lose X thousand employees." That just ends up being extraordinarily inefficient. Of course, we went further than what you're talking about: We actually froze wages for a while. And while you get an immediate saving, it didn't take very long to realize that the end result was that the good employees left and we were ending up with the ones we probably didn't need. We offered extraordinarily generous early retirement packages, completely waiving any penalties. We basically lost the whole experienced 50-plus cohort. You saw that within three years the government went on a massive hiring spree and had to replace those people with inexperienced people. So that wasn't so brilliant.

That being said, though, there's no way you're going to get a program spending profile like 1.9% if wages go up in real terms; in other words, higher than inflation. It's just too big a portion of the wage bill. Hopefully you don't have to do it in artificial ways through legislation.

I guess the other error we made was that while we did differentiate our cuts according to programs and what the value of those programs was, there was still too much of an across-the-board element. This is really a generic

point around Jack's point about restructuring. It's not a good thing to just take 5% off everybody's budget, because some programs aren't any good and 100% should be taken off them, and some programs are probably very good and are not being funded properly, so perhaps they should be increased—so a fair bit of discretion. It's more difficult, in a sense. Certainly it's much more difficult as a political exercise—it's really easy to say to every minister, "You've got a budget that's cut by 5%," or 10%, whatever the amount is—than it is to differentiate and appear to pick winners and losers, but I think it absolutely has to be done that way.

The Chair: We have just about one minute left, if you want to make a general comment.

Mr. Flaherty: I certainly agree with what I'm listening to. We need fundamental health care reform. Looking at the longer term, it would not be possible to balance the budget in Ontario without massive tax increases or phenomenal economic growth, unless we have reform in the delivery of health care in the province. It's a *sine qua non*, it seems to me. Any rational person looking at the spending increases in the province—you referred to them as 6% and 9% and so on earlier, Mr. Drummond.

In terms of our standard of living and productivity and innovation—I know you're not going to have a chance to answer this right now, but I hope you get a chance to comment at some time in the next 10 or 15 minutes—I'd like to get your views on what the government of Ontario could do in order to enhance innovation and productivity in the Ontario economy, looking at the longer run. I think it's safe to say that most of us agree and understand now, through the work of the competitiveness and productivity working group, that if we do not increase our innovative capacity and become more productive, our standard of living will decline.

1400

The Chair: Now we'll move to the NDP.

Mr. Prue: A number of questions. I'm going to try to make them fast. I hope the answers can be fast too.

First of all, Mr. Drummond, on page 9 you have a chart that shows the marginal effective tax rate. I just want to know if I'm reading this correctly. Couples between \$29,000 and about \$55,000 a year pay a higher tax rate than those who earn \$60,000 to \$120,000, which appears to be quite flatlined.

Mr. Drummond: Yes. Bear in mind that this is not your average tax rate; this is the tax rate you'd pay on your last dollar earned. So if you're earning \$30,000 a year and somebody asks you to work an extra hour, you're going to get a bit more income. What I'm measuring here is the taxes you'll pay on that incremental income. The reason it's higher in that group is because you would lose some portion of your low-income GST credit, you would lose some portion of your Canada child tax benefit and you would lose a variety of other programs like that, which are income-tested.

We've created a situation that's a bit unique in Canada. We've tried, both at the federal and the provincial levels, to be fairly generous in a number of these

programs and give adequate support at low incomes, but we've also tried to be parsimonious and contain the costs of the programs. So as people's income goes up, we take them back—we literally claw them back—and that, of course, drives up the marginal tax rate. So as you can see, in some circumstances, if you were to earn some additional money, you would only keep 20 cents on the dollar of that money, a much smaller percentage than a millionaire would keep, for example.

Mr. Prue: There's no sense in the government planning any programs, no matter what government, because every time they stand up and say they're going to do something for this group, if they were to earn any more money, they don't get it.

Mr. Drummond: Actually, the way you put it is what has happened a number of times. We have had a number of initiatives over the last 10 years at the provincial and federal levels that have done exactly that. An example would be in the 1997 budget, when the federal government increased a low-income tax credit and then clawed it back. It gave a low-income group of people some additional money and raised the marginal tax rate for the people right above that threshold, making them worse off.

Mr. Prue: OK. Mr. Mintz—you didn't number the pages, but I think it's on page 2—you give a whole bunch of "for-instances" that the government might do, none of which I think they will: everything from adopting education reform like Alberta and school-based budgeting and school choice and all those things to selling off the LCBO and user-pay for health. I don't think they're going to do any of it. But then you come and say there are other ways to do it, like accelerating capital tax cuts, which, quite frankly, I don't agree with.

Then you talk about reforming "the antiquated provincial sales tax." That's 8%, currently. How do you see doing that? Harmonizing it with the GST, or do you see doing away with it altogether and raising funds through income tax?

Mr. Mintz: There are several approaches that could be used. The first approach would be for Ontario to wholly adopt the GST. If you did that, the revenue cost is actually not very much—at a 7% rate, if I recall.

Mr. Mackenzie: That's right. It's 7%.

Mr. Mintz: If you do it at an 8% rate, you can actually raise some money. That's because of the way the input tax credits work, and particularly the way that people like where Don Drummond works, in banks, don't get the input tax credit used for financial services, which is a significant part of the Ontario economy. But that calculation is actually pretty easy to use.

I've also taken the view that if you move to an Ontario-based value-added tax—in other words, not fully harmonized with the federal GST but something like Quebec did, which was to move to a value-added tax that had a lot of aspects of the federal GST but then they did some of their own things; for example, they didn't give input tax credits for certain types of inputs and things like that. That would be a very good move forward in order to

move in that direction. Of course, that could allow for actually somewhat of a rate cut relative to the 8% rule, if you moved in that direction.

The third option is to do something that British Columbia did, which is not to adopt a value-added tax, but about three years ago, they had cut some of the sales taxes on capital inputs in order to encourage more investment. In fact, they had three different policies in British Columbia: (1) to lower the corporate income tax rate to 13.5%; (2) to eliminate capital taxes on non-financial businesses; and (3) to cut sales taxes on capital inputs.

Mr. Mackenzie: Can I just make an observation?

Mr. Prue: OK, but I wanted to get some questions in to you too; so we've asked.

Mr. Mackenzie: The problem with the GST move is that this is one of those things—actually, it's a little bit like the marginal tax rate question. It's the kind of thing that economists think makes a lot of sense. The problem is it's very difficult to imagine how you would do this in practical political terms. The reason why is that moving from the retail sales tax to a value-added tax in Ontario, while on a rate basis it looks like it's neutral, on an incidence basis, it's not.

The analysis that we did of this precise issue in the Fair Tax Commission in the early 1990s concluded that about 30% of the retail sales tax is in fact levied on goods that are exported. In a GST-style system, that tax isn't borne on goods that are exported. So as a result, you end up with basically a shifting of burden toward individuals when you make that move.

That's the practical problem that you run into: It will be perceived—correctly—as an increase in tax burdens on individuals. It's not as felicitous a change as the change that gave rise to the GST, because the old manufacturers' sales tax had a different pattern of incidence.

Mr. Mintz: Just very quickly, the number is now 40%, which is the tax on business inputs, including capital inputs, not 30% any more, and it's not on just exported goods; it's on domestically consumed production. So I just wanted to correct that number.

Mr. Prue: I'd like to ask Mr. Mackenzie—how much time do I have?

The Chair: About seven minutes left.

Mr. Prue: OK. Good. I'm still on target.

You gave us some incidences of where you want to go and what you think the government can do, but I want to know specifically how much extra program capital spending there would be with the government still trying to hold on to its deficit target. They have a deficit target this year of \$2.1 billion. How much extra spending could they do and still hold on to that deficit target, using your figures?

Mr. Mackenzie: It's difficult to answer the question because it really depends on what they do with that \$3.8 billion, almost \$3.9 billion, in accounting change. My own view is that if things continue the way they do, the government is going to change the way it flows that. When they finally decide to book that in March, they will book it differently from how they announced it in the

budget. That's their balancing item, in a sense, to produce their deficit target for this year.

I think there's flexibility of at least a couple of billion dollars. The question is, how are they going to use that flexibility? My guess is that the way they're going to use that flexibility is to change the way they're booking that windfall so that it's booked over a long period of time and so that it helps the government when it really needs it, toward the end of its planning period, rather than at the beginning of its planning period, when it seems pretty clear they don't need it now.

Mr. Prue: You don't think they'd be crassly political and come up at the end of the mandate saying, "Look, we've balanced the books and we're giving you all these goodies"?

Mr. Mackenzie: It's inconceivable anything as crass as that could happen.

Mr. Prue: I have a second question, related, I guess, in part, to the first. How much could the treasury net by eliminating the EHT exemption?

1410

Mr. Mackenzie: A little over \$1 billion.

Mr. Prue: I've still got time, so I'm going to go back to Mr. Drummond, because I only asked him one question. You talked about students. It was quite a strong statement: "Time to Make PSE a Priority.... Profound improvements needed in other respects as well (ex. student financing, deterioration in graduate studies)," and that the province would need over \$1 billion per year. The province had \$1 billion, if we were to adopt Mr. Mackenzie's view that some money could be raised in a number of areas. Would this be a financially prudent thing for the government to do, to invest in higher education as opposed to other areas?

Mr. Drummond: You put the question as a package deal and I'm not buying the package. My position would be the same as Jack's. If you address some of these tax expenditures, I would put that back as a general tax cut, so there wouldn't be a net \$1 billion.

Within the overall \$80 billion or so that the province spends, should it allocate more to post-secondary education? Absolutely. I think we all accept we're in a knowledge-based era. If you look at Ontario on a real per-student basis, we've cut spending on post-secondary education by 30% since 1980. That doesn't sound like a terribly smart move. It's one of the many areas that got sideswiped in the need to address fiscal imbalances and the increase in health care spending.

I point out here just one example. On the student financing, I think there are things that, yes, probably require money, but some don't. Our student financing system in Ontario is an absolute disaster. It's totally uncoordinated with the federal level. It's not recognizing the true costs. You could argue about whether the students should borrow it and their debt levels and stuff, but if a student has a \$12,000 program, they can't borrow against that. There are all kinds of students who get caught in those kinds of issues. You'd need to be a rocket scientist to figure out the various different avenues

between what's available at the federal and provincial levels. The federal government actually made some pretty important improvements in its last budget of March. As a minimum, Ontario would have to match that. Again, there would be a net cost to that, but I think it needs to go far beyond that.

Mr. Prue: Some of the literature suggests that countries like Ireland, which has all but eliminated the cost for post-secondary education—to the student at least, if not to the state—have made wise decisions in terms of their long-term economic gain and benefit. Would you concur with that?

Mr. Drummond: First of all, let's be realistic here. Given the fiscal dimensions, even if you have some additional room that Hugh was talking about, you have nowhere near the capacity to talk about free education. So I'm not sure that's even worthwhile spending any time on.

Second, I would argue that conceptually that doesn't make any sense. There's a very strong private rate of return from post-secondary education. I don't think students should have to pay the full bill because there is a social rate of return, but the private rate of return is higher than the social rate of return, so there has to be a split. We could certainly get into a debate of exactly what that split is, but students should be making some contribution. We have to bear in mind, only 40% of Canadians go to university. Why should the 60% who don't go to university pay the entire bill for the ones who do? We all know the numbers. Their wages and salaries are about 60% higher over their lifetime because of that degree. The carpenter who just built your house didn't go; should he pay for it? No, I don't think so.

Mr. Prue: Maybe the other gentlemen have a comment on that.

Mr. Mintz: Just quickly on the Irish thing, they actually had various strategies, and one was, of course, to spend money on education when a large portion of the population didn't even have secondary education, never mind tertiary. But the other thing they did is they said, "We're not just going to bring people to the job market with better skills; we're also going to create more jobs," and that was done through business tax cuts. A proposal that would raise payroll taxes while at the same time spend more money on post-secondary education has a rather amusing side to it in which we would be graduating people who will have a tougher time finding jobs.

Mr. Mackenzie: One of the conclusions I came to from some work I did on post-secondary financing in the fall is that it's pretty risky to grab examples from other jurisdictions. The critical point of distinction that has come to me is that differences between countries on how post-secondary education is financed have a lot to do with their attitude toward the responsibility of different generations for financing post-secondary education. Scandinavian countries, for example, treat students as if they're completely financially independent. In other words, there's no assumed parental financial contribution expected to post-secondary education. Other European

countries have a similar kind of view, although maybe not as extreme as some of the Scandinavian countries.

For better or for worse, culturally we see paying at least a portion of the cost of post-secondary education as a responsibility of the students' parents to a greater or lesser extent. So for us to think about a way of financing post-secondary education that ignores that reality doesn't make much sense.

Having said that, I agree with Don: I think the system that we have now is a complete mess. The split between tuition and grants from senior levels of government is irrational, or maybe I should say non-rational in the sense that I don't think anybody ever sat down and said that the split ought to be one thing or another. Allowing tuition to go up just became the path of least resistance for governments facing fiscal constraints.

On the student assistance side, we have an incredible dog's breakfast. We've got several different programs that are delivered through the income tax system. Some of them are directed toward the generation of the students' parents, some of them are directed toward students, some of them are neutral with respect to income, and some of them deliver upside-down equity in that they deliver more money to wealthier families than they do to lower-income families.

On top of that, we've got this ridiculous system of dealing with student debt where we have a hidden program in the student financial assistance system of debt remission, which doesn't appear to have any transparent and understandable rules but exists and, in fact, according to the millennium scholarship foundation, now eats up about half of the money that Ontario spends. So it doesn't make any sense, and it needs to be fixed.

Mr. Colle: I just want to thank the three of you for making yourselves available in this format. I think the members of the committee agree that it's helpful to have experts in your field making yourselves available to us and to the public. It's valued input that this committee needs and appreciates.

On the issues you and some of the members have raised, I will ask for some written responses from ministry officials. Some of them are open to longer, detailed answers and analysis. I'll try and get as many of those responses back to you—just for your own information; not as a matter of argument. Some of them I find quite intriguing, and I'm sure members of the committee find them intriguing too.

From the Ministry of Finance's perspective, my heart wants to believe Mr. Mackenzie, that we are overly cautious and there is room and flexibility, but history tells me, whether it be previous governments or our government, that it's been the case over the last 10 years for the province of Ontario that things don't seem to be on our side. The factors seem to always be hitting us. Right now, as I think you've all pointed out, of all the provinces and jurisdictions, we are the one most impacted by the high value of the Canadian dollar. Therefore it seems that the province that produces the most wealth and produces the most manufacturing and is, I

would say, one of the hardest-working provinces on a per-citizen basis—and certainly you've mentioned that the taxes paid in Ontario are quite significant and we pay more than our fair share. We seldom get any breaks, whether it be outside factors like the dollar and how many American dollars the Chinese are buying up or whatever. We don't seem to have these breaks. But I would hope that we can get a bit of direction from you.

The one hard issue to come to grips with is, you've all talked about the fact that there isn't any clear line or delineation of responsibility for taxes collected and revenues allocated toward government services or government expenditures. In other words, Ontarians pay federal income tax, they pay GST, PST, an assortment of taxes, yet it seems that despite the growing number of taxes paid by Ontario's corporations or Ontario's individuals, we don't seem to have the ability to invest in our infrastructure, whether it be social, whether it be R&D infrastructure, whether it be health infrastructure. Our per capita spending per student for post-secondary is the lowest across Canada. Our per capita spending on health care is the lowest. We can't even seem to fund our own basic infrastructure like sewer and water mains or fund our municipal transit systems.

1420

Don't you think the core problem is the basic financial relationship that Ontario has within this present federal framework, that no matter what we do in terms of the priorities we have before us and the ones that Don mentioned that were very challenging for us as a ministry, fundamentally, unless we change that relationship so that Ontarians might be able to keep more of their money here in Ontario to invest back into Ontario, unless we fix that fundamental paradigm, we're not going to get anywhere near making any substantive changes in the delivery of critical services that we all agree we need to deliver better in Ontario? I'll just leave it open to anybody who wants to comment

Mr. Mackenzie: Let me start. First of all, I have to say I'm interested in your little rehearsal to be Ontario's equivalent of Danny Williams: "We don't get no respect here in Ontario."

Let me say seriously, though, without wanting to break your stride at all, I think it is fair to say that Ontario did get a big break in the late 1990s when the exchange rate dropped and manufacturing boomed in Ontario. We used it to accelerate the rate at which we were destroying our fiscal capacity. As a result—I think one of the reasons why we are in the state of fiscal imbalance that we are in now is that relative to the needs for public services in the province, we significantly, to steal a phrase from previous budgets that I've seen, overachieved on the fiscal capacity reduction side and we're paying the price now.

That's why my view is that part of the long-term solution to the questions in front of this committee and the Minister of Finance is still measures needed to rebuild fiscal capacity. I'm sure everybody else at the table agrees.

Mr. Drummond: Sure, there's a net federal withdrawal of revenues out of Ontario, but of course if we're going to have income redistribution in Canada, it has to come out of Ontario. There's no precise point how much would come out of it.

I think one thing that has happened in the past couple of months that should be very upsetting to Ontarians—it's very upsetting to me—is the new era on equalization. In the space of a couple of hours, the first ministers of this country destroyed the 54-year-old program. They totally turned its principle on its head. It will be \$10.9 billion a year, indexed at 3.5%, regardless of what the income disparities are. In fact, they might have a hard time discovering how to distribute it, because, in theory, if every province has the same revenue generating capacity, it will still be \$10.9 billion, indexed at 3.5%. You know the argument with Newfoundland now. They seem to have a belief that even if they have the revenue-generating capacity of Ontario, there will not be any changes in equalization.

I'm not quite sure what one makes as an Ontarian about the fact that there is a net fiscal drag for the Ontario government. In Ontario it has to be that way. Maybe our system is too big, I don't know, but certainly on the specifics of the equalization program I think it's absolutely outrageous what just took place.

Mr. Mintz: First of all, I actually wrote down equalization as one of my comments. In fact, if I were Ontario, I would strongly object to what's going on right now. If you look at the past 20 years, there has been an equalization in per capita incomes across the provinces. Alberta is still sticking out there, but if you look at the Atlantic provinces, they've been going up to the national average; BC has gone down to the national average, and Ontario has, I think, actually gone a little bit closer to the national average. Of course, they're above the national average.

But the main point is that, if anything, equalization should be costing less today, not more. To put it in as though we're going to just keep increasing the amount—3.5% per year for the next five years—just what are we doing with this program? What are we trying to achieve?

Mr. Mackenzie: It's also lost its connection with the original.

Mr. Mintz: And that is a drag for Ontario. That's a significant drag, because the federal government has to raise taxes to pay for that, and of course it makes it harder for Ontario to have fiscal capacity associated with that. So these issues get interlinked for that reason.

But I want to also just mention—and this goes back to Mr. Flaherty's question—that one of the things we've learned about countries is that when you have high economic growth, these problems of fiscal capacity and everything else go away. From the point of view of the budget, I think there has to be a focus by the Minister of Finance on economic growth and what are the kinds of things that could be done to best generate economic growth.

I would actually suggest that there are a couple of things that could be done. One of them, I think, is in the

area of education. I'll be looking forward to seeing what the post-secondary education report's about. I teach at a university. Frankly, I don't think the tuition fee levels are as problematical as people think, although I do think that, as Don has already pointed out, there may be some issues about the loan program and making it effective. But I also worry about secondary school students who are quitting school and not going on. I know that this government has interest in a higher age that's going to be required for people to be in school and, actually, I want to say that I endorse that position. I think some of those things could help. They help in the long run. They won't help in the immediate run, but I think they can help.

The other thing is, I really think you have to worry about the business environment and Ontario being viewed as an attractive place. Frankly, raising the corporate income tax rate—you've heard me on this before—from 12.5% to 14% was not a good announcement to the business community worldwide that Ontario was serious about attracting business investment. Things that were going on in the energy sector, in the power sector, were also not very conducive for generating, let's say, a more positive outlook about Ontario, although I will say that the recent changes with the RFPs and some of the things that are being done to try to attract private sector investments in power, I think, are positive. But I'm worried there because there's an issue of the distribution between risks and returns on some of those RFPs that I think you need to be concerned about as a government.

This actually goes to my final point. I do think that infrastructure is important in certain areas; for example, border infrastructure, which the federal government plays a role in, and not just the Ontario government. I also think that it's going to be very important to think about how to generate, let's say, a frictionless border in the long run. This is both a federal issue and, I think, something that Ontario should speak about, because that's going to be very important to Ontario's being able to move those goods and services across the border.

Finally, the business tax regime is still relatively high in Ontario compared to not just the United States but throughout the world. Tomorrow we'll be releasing a 20-country comparison of effective tax rates on capital—this is for Canada and aggregate—with the rest of the world. But since Ontario's a little bit higher than the Canadian average, it's not a good picture for Ontario in terms of what we look at relative to the rest of the world. When it comes to business investments, we are a high-tax country, which is why I'm very much in favour of tax reform, which isn't necessarily a cut in total taxes paid as much as getting rid of some of the ineffective credits and putting that into capital tax reductions and corporate rate reductions, which still result in relatively high burdens for businesses and undermines productivity and technological improvement in this province.

The Chair: We have less than two minutes, so if you could put your question to just one of the persons.

Mr. Colle: It doesn't really matter to me; anyone can comment. As you know, we did listen to some advice

about phasing out the capital tax. We think that is one signal that we want to encourage employment investment.

I guess we're down to the real crunch here because, given Mr Drummond's bank's forecast, it assures me that we did the right thing to ensure we had enough money in contingency to cover such eventualities. It looks like, because of the high value of the Canadian dollar, the Ontario economy is not as buoyant as some other forecasters had predicted. We had forecasts in September of 3.5% growth for 2005, so there's been a dramatic difference there. But hopefully we can take care of that.

1430

In terms of what we have before us, we have to restrain costs, and that's going to be a challenge. If we had one priority, should we put it into revenue generation, should we put it into one of the other three areas or should we just emphasize balancing the budget as our number one priority? I know it's a difficult choice to make, but that's the choice we're going to have to make and recommend to the minister. So if we were to say one area of emphasis for this upcoming budget—

Mr. Drummond: I'm not sure what you mean by revenue generation. If by that you mean trying to raise more revenues by cutting taxes, that's easy—no.

Mr. Colle: No, no, not by cutting taxes—

Mr. Drummond: Or raising taxes.

Mr. Colle: —but by perhaps investing in R&D, investing in colleges and universities, investing in certain initiatives for cutting-edge venture capital initiatives.

Mr. Drummond: I don't think you can view it as one step; it's two steps. I think absolutely you have to balance the budget by 2007. I'd like to see it balanced earlier. I don't think that's feasible, but I don't want to see a deficit hang on longer than that. Within that constraint, coming back to Mr Flaherty's question, conceptually it's easy. You want to move things away from consumption and toward investment. So on the expenditure side you have to move toward things that will encourage R&D, infrastructure, education, and on the tax side you want to move away from the heavy emphasis on income and capital and more toward the consumption side.

The Chair: On behalf of the committee, I want to thank all three of you for appearing before the committee this afternoon for an hour and a half. We appreciate it very much.

Mr. O'Toole: Chair, I'd just like to put a question on the table. I'd ask the three experts to give us their view with respect to deficit financing.

The Chair: They can submit that if they care to. You're not compelled to answer the question, gentlemen, but you can talk to Mr O'Toole directly. If you care to put that answer to the committee, I would ask you to give it to the clerk so that all members can share in that answer. Thank you very much.

ONTARIO LAND TRUST ALLIANCE

The Chair: I call on the Ontario Land Trust Alliance to come forward, please. Good afternoon. You have 10

minutes for your presentation. There may be up to five minutes for questioning following that. I would ask you to state your name for the purposes of our recording Hansard.

Mr. Christopher Baines: My name is Christopher Baines. I'm the vice-chair of the Ontario Land Trust Alliance. I don't think I'll actually need 10 minutes. I'll try and keep this brief and quite simple. From the weighty matters that you've just been reviewing before you, what I have to say is relatively short, I would hope, and simple.

For those of you who don't know land trusts—I know Mr Flaherty, who I've met on many occasions; and Mr Colle knows this, because he's been very helpful to us—a land trust is essentially a charitable, non-profit organization dedicated to preserving and protecting environmentally significant land. There are 34 land trusts currently in Ontario, and my organization, OLTA, is the umbrella organization, like the trade organization, of those 34 land trusts. There are 103 land trusts in Canada and 1,600 in the United States, and the grandfather or grandmother—I keep jumping back and forth in generics here—is the National Trust in England, which caused the birth of all of us, if you will.

I'd just like to let you know that in Ontario we stretch from Rainy River to Kingston, from the Ottawa Valley right down to Sarnia. So we cover Ontario—well, I won't say that completely—geographically. We'd certainly like to, and we have many more land trusts in the formative stages happening.

Starting off, I'd like to say that we've run a program called the OLTA program—it started as the ONTA program—where we basically distributed \$160,000 worth of grants to the small land trusts, those being somewhere in the neighbourhood of \$3,000 to \$5,000. We had a goal of securing 1,000 acres from that program, with a value of \$500,000 a year. We did much better than that. We secured 3,171 acres, with a value of \$4.2 million. On \$160,000 in grants, that's a return on investment of about 69 to 1—not bad numbers as far as how a poor little organization like ours delivers the goods, if you will, in achieving objectives of saving Ontario's nature.

The reason I'm here today—if I could, I would have brought flowers and candy—is to say thank you, most particularly to this government; to the Minister of Natural Resources; to the Minister of Finance; to Mr Colle and his assistant, Arthur Lofsky; and I extend that to Mr Flaherty when he was sitting in government. For many years we've been dealing with Ontario governments in regard to the implementation of a program called the community conservation lands component of the conservation land tax incentive program—a mouthful. Essentially what it represents is those land trusts in Ontario meeting the criteria, and we had some discussions about what those criteria would be. They will now be exempt from paying municipal property taxes on those lands as long as they meet these criteria.

What this effectively realizes to the land trusts is that they can take and reallocate those precious donor dollars

from having to pay property taxes to being able to use them in other operational capacities, such as the money required to acquire the land, the money for insurance, the money for monitoring etc. So in a real, tangible way, by implementing this program, the government has saved somewhere around \$200,000, we believe, collectively, to the land trusts in the province, and we are most grateful for that.

With apologies to John Kennedy, asking what this government can do for us, we would come to the finance committee at this point and say, having said that and being most thankful for what we've received to this date, we would still like to propose to you that there are other manners in which particularly the finance committee and the government of Ontario can assist the land trust movement.

Specifically in the United States, there are 22 US states that take one small percentage of the land transfer tax, which in Ontario as you know is around \$800 million a year. What we are suggesting is that 1% of the \$800 million be allocated to a green fund, if you will, or a green conservation fund, the purpose of which is to be used to fund these conservation-minded initiatives of land trusts, of conservation authorities and of other like registered charitable organizations dedicated to preserving land.

Collectively in Ontario we have a very ambitious goal of preserving more green space. Our donor base, the people with whom we deal—and we put the touch on many different landowners at many different times to donate their land to a land trust—for whatever reason may not be comfortable in dealing with the government, either through the crown holding the land or indeed even selling it to the crown. Land trusts are much more efficient in the use of dollars. So what we would ask is that you assist us in the operational capacity to be able to further these goals of increasing the amount of green space saved.

"How can we do that?" you ask. We say by adopting the model of what 22 states currently do; that is, take a look at the land transfer tax, take one small percentage, 1%—it's not a new tax—and allocate that off into this green fund. It would all have to be peer-reviewed. We'd set up all the rules as to how you could access it, what the monies would be used for, but essentially you are tying development in Ontario to the preservation of green space, and there's a causal relationship. It's not a new tax, merely a slight allocation. In this case it would be \$8 million. That would be negotiable if that's too much. It's better than what we've got right now. So we'd certainly like to take a look at that.

The second recommendation we would ask is that MPAC—and you must understand that the meat and potatoes of what land trusts deal with is planning, is assessment, is MPAC, if you will. Even with this program, we still have to deal with MPAC. We would request that MPAC be asked to establish a consistent practice of reducing property values by the value of the conservation easement registered on title. That sounds

rather complicated but essentially, for the committee members' knowledge, there are two ways of donating land. One is you can give the land freehold right to the land trust, such as the Nature Conservancy of Canada or any one of our other 33 members, and you get a tax receipt for that donation. We own the land and we have to steward it in perpetuity. Such gifts, as I tell potential donors, are not actual gifts of assets, because you can sell an asset, and a land trust would not intend to sell an asset. In effect, a gift you are giving us is a liability in that we, in perpetuity, have to ensure that this land is properly stewarded. Nevertheless, what we would ask is that MPAC be directed that they not take the value of the conservation easement and then transfer that to the remaining part of your property.

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Specifically, if you owned 100 acres and you wanted to keep 10 acres for yourself freehold, and you wanted to donate a conservation easement, which is a restricted covenant registered on the title of the land that basically says, in perpetuity, the 90 acres can never be developed, you would receive a one-time tax receipt for the value of the diminution of that 90 acres. You still own the land, you would still pay property taxes on the land, but you could never develop that 90 acres. If you did, we would have to take you to court, because you'd signed a restrictive covenant.

At any rate, our challenge with MPAC is that we are concerned that they essentially transfer the value of the conservation easement on to the other portion of the land—in this case, the 10 acres—that does not have a conservation easement on it. If you will, these are sort of ground rules that we would like to have a discussion with MPAC about. We are doing that, but we need more of a clear direction through legislation we see that would ensure that that wouldn't happen.

Likewise, we would ask that MPAC ensure that the property tax reductions from the conservation land tax are not transferred. Actually, I indicated that already.

Land transfer tax: We'd ask if this committee could see its way through to making a recommendation to eliminate the land transfer taxes, the probate fees and the other forms of taxation on conservation land transactions to land trusts. Currently, if you donate your property to it, if it goes through an estate, we still have to pay all the other costs which any other body or individual would in regard to this land. Many jurisdictions in the States and in Canada have absented land trusts and charitable non-profits such as ourselves from these costs. As with the property tax exemption, by exempting us from these hard costs, you would again assist the land trusts in using those precious dollars toward more operational costs that they need to do.

In summary, I would just like to say, again, thank you very much for the conservation land tax incentive program and all who helped in doing it. We're most appreciative of it, but if there are any other little housekeeping matters we could do, such as this one, we would be pleased to discuss that with you.

The Chair: Thank you. The questioning will go to the official opposition.

Mr. O'Toole: Just quickly, as you know, before the legislative committee this session is Bill 135, the green-belt legislation. It's huge, very contentious. It's a property rights issue. We look at the Oak Ridges moraine when we were government, and they did form a trust there, which was really not a land trust so much as a fund to acquire lands through various means, some of which were very much like what you're suggesting. Would you care to comment on how the government could move on Bill 135 with respect to some of that land as permanent agricultural?

In fact, it's really being used to its best and most optimal use to feed the people of Ontario. In many respects, it's sort of like a land trust, technically. If its ultimate use is going to be agriculture, perhaps you'd like to comment. I'm sure, since you look at the overall use of land and the preservation of sensitive lands, you'd like to comment on Bill 135.

Mr. Baines: I'm not going to get into the property rights issue. Certainly, our brothers in the United States are dealing with that in many cases in land trusts. I would say, however, that, again, like in England and in the United States, there are different types of land trusts in the natural progression. Most of the trusts that are currently here in Ontario are basically dealing with "environmentally sensitive lands."

What's now occurring in the States—and we will see this happening in Ontario very shortly—is agricultural land trusts, and soon, I would put it to you, there will probably be cultural land trusts as well. The field that's being used for baseball in a small community: It may be very important to that community to preserve that. Under the current legislation that we have, that baseball field, if it was owned by a land trust, would not be exempt from paying taxes under the conservation land tax incentive program. In the fullness of time, when agricultural land trusts finally do happen, hopefully those will address a lot of these issues.

On the specific point about how you ensure that this land and this way of life are preserved, an agricultural land trust would be a wonderful mechanism for doing that. It, however, will need, if you will, the extension of the current conservation land tax incentive program exemption to cover agricultural lands, because right now it's restricted specifically to the hard-core environmental. When we expand the horizon to allow these other land trusts in, as long as it's peer reviewed and it meets the criteria that the industry and the public demand, that, I would think, would go a long way toward helping the objectives of Bill 135.

Mr. O'Toole: I am dealing with it. As I said, the land-owners may not be as comfortable as you, but as long as it remains in its primary use—that's the Christian Farmers Federation of Ontario position. Basically, they're in favour of it. Finding a mechanism under the challenges on their income side in agriculture today, with all the commodity prices tanking, they're concerned that

the cost through the taxes—really the same question you raised, the MPAC issue. It's not going to be a very level playing field for them if they still have to pay, because it's class 1 land, a very high level of tax on it and it has no future use under the Planning Act. So what do you recommend?

There are going to be hearings, I think next Monday, in our area on that issue. Most of them want to maintain it in agriculture. It's been exempted from them, it's been pulled from them for any other potential use, severances and all these things. So it's very much in the field you work in. If you have any advice, I'd be happy to receive it and put some voice to it.

Mr. Baines: The agricultural domain is not my bailiwick actually, but as I said, it's complicated, particularly when MPAC is involved in it as well. But I see that an extension, and I hope we will see it shortly, of the conservation land tax incentive program—a paradigm shift essentially is what has to happen with Ontarians. First, you accept the concept of environmentally significant land that should be protected and exempted from tax. Then you must move to the area of agricultural and then presumably from there to cultural.

The Chair: Thank you for your submission this afternoon.

TORONTO DISASTER RELIEF COMMITTEE

The Chair: I'd ask the Toronto Disaster Relief Committee to come forward, please. Good afternoon. You have 10 minutes for your submission. There may be up to five minutes of questioning following that. I would ask you to state your names for the purposes of our recording Hansard. You may begin.

Ms. Cathy Crowe: My name is Cathy Crowe.

Mr. Michael Shapcott: I'm Michael Shapcott. I'm the research coordinator for the Toronto Disaster Relief Committee, and Cathy Crowe is a street nurse and is a steering committee member. Cathy will begin by making some opening comments and I'll conclude with a few brief remarks at the end.

Ms. Crowe: Since I was last here to present to you, two interesting things have happened in my life. One is I was given the Atkinson economic justice award, which has given me the privilege of travelling around the province, looking at homelessness and the housing crisis in different communities. The other is I was appointed to Toronto's board of health, which means I have a great understanding now of what it's like for you folks to be listening to deputation after deputation. I did that yesterday. I'm just going to try to speak off the cuff and tell you from the front line why we're obviously appealing for more housing money in the next budget.

The last time I was at Queen's Park, as you may know, I was arrested. Not something a nurse does every day, but I was. I was arrested for attempting to put up a tent-like structure with six other front-line workers to really demonstrate the need for the Ontario government to keep its promises to roll out some housing money to

not just Toronto—I'm not just doing this for homeless people in Toronto, but for across the province.

A quick snapshot of what we're seeing now and why it's a problem is obviously an enormous number of people sleeping outside, whether it's in York region on farmlands or in cars or in Toronto. Everybody knows the visible homelessness in Toronto. I was in Windsor last week, and every city I go to, it's the same situation: not enough shelter beds for families, and for women in particular, and organizations that are dying to create housing. They're just waiting for the monies to do that.

1450

Our current emergency right now is that we've just had our seventh case of active tuberculosis diagnosed in the homeless community in Toronto. That has also infected two front-line workers. There's massive bedbug infestation. Cities just can't grapple with what to do next without some rent supplement monies or other ways to start leveraging monies to move people from shelters into housing. That can happen through helping people get on ODSP, because people do have serious health problems, but also the rent supplement monies that we learned worked in the tent city situation.

Just to give you a snapshot, the picture is very dire. We can only do so much outreach and provide so many sleeping bags to people without having the need for places to actually put people into. I have been shocked that I've been hearing that in other communities, like Sudbury, for example, London and my hometown of Kingston. Being in Toronto, you become very egocentric about the city. To realize that it's as severe in other communities has been quite shocking for myself.

I'll turn it over to Michael, who will articulate what our situation demands are.

Mr. Shapcott: I regret to say that we don't have anything new to bring in terms of messages this year. Our message this year is exactly the same as the message we delivered last year, and I see some of the same faces around the table. I do want to say to you that in light of the urgent situation that Cathy Crowe has just outlined to you, this year we would ask the committee, in its recommendations to the Legislature, to underline the urgency of real action on homelessness and real action to build new affordable housing.

We think two things need to be done, and they're outlined in our submission. First of all, we are asking the government to take very concrete steps to move ahead on the promises the government made back in the fall of 2003, when, as the Liberal Party, they were campaigning for election in Ontario. A number of very specific promises were made under the heading of rebuilding public services. We set out some of these promises on pages 4 and 5 of our written submission. The Liberal Party promised 20,000 new affordable housing units for needy families. They promised a housing allowance program for 35,000 families. They promised a provincial rent bank to help tenants with short-term arrears, to put a priority on the development of affordable housing on government-owned lands, to create a new mortgage facility to assist in the development of new affordable

housing, and also to put a priority on 6,600 new supportive housing units for those with special needs.

At the time, we said that was a good start. It wouldn't be a complete program, but it would be a good step forward. Quite substantially later, we've had at least one budget, and we've seen virtually no movement on the key promises of new affordable housing, new supportive housing and new rent supplements. We've seen a small number of small announcements but nothing substantial. Therefore, our message today to the committee is to underline that we think those promises should form the basis of the first step forward.

On page 6, the final page of our presentation, is what we think is the program that the government should in fact adopt, and we'd ask the committee to adopt this program. It would be a program to increase the social housing supply in Ontario on an annual basis by 13,000 units, to fully match the federal affordable housing program, which would be a 2,000-unit-per-year commitment. We'd ask the province to reassume responsibility for funding existing social housing. This was a decision made starting in 1998 by the previous government, to download the cost and responsibility for administering social housing, and it's created a serious burden for municipalities. We also want the government to move ahead on its promise of rent supplements. We're proposing a minimum of 10,000 new rent supplement units annually and, in addition, 27,000 rent supplements to be tied to the new supply program, to ensure that new housing is truly affordable. Those are our very specific recommendations.

I want to end and allow time for discussion and questions.

We believe, in light of the disaster, that now is the time for this committee to take very concrete action to move ahead. I'd also point out that we are asking, although we haven't costed it out, that while the housing is being built there is a continuing need for emergency shelters, temporary shelters for homeless people in almost every part of the province. The province does provide a per diem but the per diem is lower than the actual operating cost, so we'd ask the committee to recommend an increase in that per diem.

You will be hearing in a couple of days from a network we're part of called the Low-Income Energy Network, which is setting out a comprehensive strategy to deal with energy poverty and the problems created for low-income households as energy costs are increasing. We'd ask you to give favourable consideration to that report when it's released on Thursday. Thank you very much.

The Chair: This round of questioning will go to the NDP.

Mr. Prue: Just to deal with the second-last point first, the cost of per diem right now is around \$41, I think. We've had several groups come forward and ask that it be raised to \$50 or \$51. Is that sufficient?

Mr. Shapcott: I think it should cover the actual operating costs. The costs of running a shelter vary from place to place in the province, and they also vary based

on the needs of the shelter clients. One of the reasons costs can go up is because some homeless people do have needs in addition to just the need to have a temporary warm, clean, safe and healthy place to live. They may have medical needs, mental health or other needs, and it requires money to support people with those needs. Certainly putting it up to \$50 would be a step in the right direction, but we think what the government should be doing is covering the real costs of operating shelters across the province.

Mr. Prue: I'd just like to go through the promises that were made. I know there was one group—not you but another group—called ISARC, the Interfaith Social Assistance Review Committee. They gave the government an F in housing and said they'd done virtually nothing. I just ask if you can tell me what you are aware of that the government has done on its plan to build 20,000 new housing units for needy families. How many houses have been built in Ontario?

Mr. Shapcott: We've had some announcements but we've had very few new homes. The critical problem is that the government said it would accomplish that by fully cost-sharing, fully matching the federal contributions. The previous government offered \$2,000 per unit. The current government has offered no more than \$2,000 per unit, so they're doing no better than the previous government.

Mr. Prue: The housing allowance for low-income families?

Mr. Shapcott: We've had an announcement of a pilot project that was made a few weeks ago. Both Cathy Crowe and I were at that announcement. It was 400 rent supplement units and it was mainly because some landlords were willing to throw a bit of money in the pot and a charity was willing to organize it. It was not, by any means, a housing allowance for 35,000 families and nothing near the kind of program that was proposed by the Liberals.

Mr. Prue: So they're around 1%. They've done 400 families.

OK, the rent bank?

Mr. Shapcott: Yes, that has been implemented. That was only a one-year rent bank, though. Sad to say, the problem of short-term arrears is an annual problem and it does need to continue to be replenished, so that's a real concern.

Mr. Prue: So that will have to be in this year's budget if it's to continue?

Mr. Shapcott: Yes.

Mr. Prue: OK. Housing on Ontario-owned lands?

Mr. Shapcott: We've not seen any indication that policy has been put into practice in terms of committing funds or a mechanism to ensure that government-owned lands are in fact turned over for affordable housing.

Mr. Prue: Supportive housing, 6,600 units: How many have been built?

Mr. Shapcott: We've seen an announcement just recently from the health minister which apparently included a supportive component, but it's very hard to

determine exactly the numbers and so on. So there have been some announcements but we haven't seen any substantial progress on that either.

Mr. Prue: No spades in the ground anywhere?

Mr. Shapcott: No.

Mr. Prue: I still have time, I trust?

The Chair: One minute.

Mr. Prue: What you've asked for is the expenditure of—it's quite a bit, but I guess it's not that much—1% of the budget of Ontario to build supportive housing. That would be \$700,000—sorry, \$700 million?

Mr. Shapcott: It's slightly more. Since we launched the 1% campaign back in 1998, governments at all levels have been cutting spending, so what was 1% back then is now, because of the math—we've stuck with our original numbers, so we're slightly more than \$700 million, plus, of course, we're asking that the province reassume funding for social housing, which is another \$850-million pot on top of that.

Mr. Prue: And you'd like a significant portion of that to come forward in this year's budget?

Mr. Shapcott: When we launched our 1% campaign, 1% of the provincial budget was about \$900 million, and that was the amount we asked for. That's roughly what we're asking for now, plus the province reassuming funding for existing social housing.

Mr. Prue: To date, how much do you think the government has spent?

Mr. Shapcott: They've announced something in the range of \$60 million, but we have some difficulty confirming those dollars exactly. I would say it's quite considerably less than that.

The Chair: Thank you for your presentation this afternoon.

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RETAIL COUNCIL OF CANADA

The Chair: I would ask the Retail Council of Canada to come forward, please. Good afternoon.

Mr. Doug DeRabbie: Good afternoon.

The Chair: You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to state your name for the purposes of Hansard.

Mr. DeRabbie: My name is Doug DeRabbie. I'm the director of government relations for the Retail Council of Canada. Thank you for the opportunity to appear before you today. I will try to move through the presentation quickly so that we have some opportunity for questions.

The Retail Council of Canada has been the voice of retail since 1963. We represent an industry that touches the daily lives of most people in the province. Like most associations, we are not-for-profit and are funded through dues revenues. Our 9,000 members represent all retail formats: mass merchants, independents, specialty stores and on-line merchants. You will notice from our presentation that 90% of our members are small, independent retailers and over 40% of our membership is based in

Ontario, which is consistent with industry averages that you'll see later.

The retail industry is a dynamic and fast-paced industry. Nationally, it contributes more than \$330 billion annually to the economy. That represents about 5.6% of the GDP. In Ontario, we're currently posting about \$105 billion as of October, but we expect that to push up to about \$125 billion when the final numbers for last year are in. This represents more than 5% of the provincial GDP.

The retail sector touches every corner of the province and, as I said, there are two charts in your presentation today that give a little bit of a breakdown of what the retail sector looks like in some of the major cities across the province, both by number of establishments and by number of employees.

Despite its significant size and scope, retail really is dominated by small business. The majority of our members employ fewer than four people. When you see the "indeterminate" sector in graph 3, indeterminates are actually companies with no payroll; they are sole proprietorships, mom and pops. They don't have a payroll; they don't employ a single person.

Approximately 70% of the retail sector has sales of less than \$500,000, and about 89% of the retail sector has sales of less than \$2 million. So this is really small business we're talking about. We talk about the Wal-Marts or the Bays or the Sears, but they are really in the minority, at about 3% of the industry.

Retail is Ontario's second-largest employer, with almost 750,000 employees in the province. I think it's actually a little-known fact, but we rank right behind manufacturing—you can see that in the scale—and well ahead of health care, the tourism industry and others. It's just a huge industry in terms of employment.

Taking a look at the economic review and outlook, for Canadian retailers 2004 was a welcome return to a more normal environment after the Old Testament afflictions of 2003. Statistics Canada data indicate that retail sales in 2004 have continued the solid trend established in the last months of 2003, with sales advancing steadily most months. Results for Ontario, however, are significantly lower. Year-to-date sales show Ontario's growth at 2.3%, lagging significantly behind the national average. Also of interest is that Ontario's relative performance appears to have weakened over the course of 2004.

In RCC's opinion, it is the new tax levied in last year's budget, the Ontario health care premium, that is likely the main reason for the drop in Ontarians' spending. An analysis done for RCC by Statistics Canada provides a measure of the impact of the new tax on household disposable income. On average in 2004, Ontarians lost 0.3% of disposable household income due to the new tax. When the tax is fully phased in, this loss will jump to an average loss of 0.5% of disposable income in 2005.

Ontarians hit the hardest have household disposable incomes between \$35,000 and \$100,000. For these families, the average loss of disposable income amounts to 0.8%, which is between \$403 and \$871 each year. This

is a significant amount of money for many households. Moreover, these households may not have felt the full impact of the health care premium during the last months of 2004, as their other legislated deductions such as CPP and EI had maxed out and been stopped. Coupled with post-holiday debt, it is likely that many Ontarians will suddenly face reduced circumstances in the new year and may well rein in their spending for at least the first few months.

As a result, RCC expects sales performance in Ontario to grow slowly this year, at a rate lagging behind the rest of the country. Retailers may also see hits to their margins and profits as competition intensifies to serve consumers searching even more aggressively for the best deal.

In terms of trends in the industry, consolidation continues as consumer preferences are still shifting toward the larger companies and formats. Mass merchants are taking considerable market share away from independents. Meanwhile, independents are really struggling at this point in time, and their success is going to hinge on finding that niche marketplace where a large retailer can't attack. They're really struggling with that.

Just to move on to some general fiscal policy advice: Retailers are encouraged by the finance minister's commitment not to increase taxes in this year's budget, and they also appreciate the government's plan to keep spending under control. However, retailers are looking to the government to follow through on its promise to encourage economic growth. Since October 2003, retailers have been grappling with a rash of government policies that are hindering their ability to remain competitive, including increases in energy prices, increases in the minimum wage, increases in blue box program fees and increases in red tape. If Ontario is to be the engine of the nation's economy, then it must work immediately to improve its performance of the past 18 months.

When the finance minister appeared before the committee last month, he suggested a list of seven questions to be asked of witnesses during pre-budget consultations. The proposals that RCC is bringing forward today effectively respond to each of these questions. Specifically, our proposals will help constrain spending and modernize government; eliminate duplication and waste; streamline regulation and enforcement and improve service to the public; inspire economic growth; improve transparency and accountability; and offer ideas for partnerships with the federal government.

In order for these proposals to have a positive impact, the government has to lay the necessary foundation. So in terms of some advice, we think the most important thing the government can do right now is sustain consumer confidence. That needs to be done by removing impediments to job growth, not adding them. It needs to be done, obviously, by balancing the increases that have already been done with stabilizing spending. We think the budget needs to be balanced sooner rather than later, because deficit budgets certainly do have a seriously negative impact on consumer confidence, which is going to affect the economy.

Moving on to something that we think you can do: As I mentioned, we're the second-largest employer, and the employer health tax, EHT, is a profit-incented tax that hits employers—large employers more adversely than others. We supported the elimination of the EHT on the first \$400,000 of payroll back in 1996. Ontario is currently one of only five provinces that has this kind of tax, along with Newfoundland, Manitoba, Quebec and the Northwest Territories. In fact, Manitoba exempts the first \$1 million of payroll. The exemption level helped us create over 84,000 new jobs between 1996 and 2003, and our message to you today is that it's time to increase the exemption threshold to at least the first \$600,000 of payroll in order to increase jobs, improve income levels and stimulate domestic spending.

Next, I would like to talk about training tax credits. Our industry is facing a severe labour shortage in the coming years. We as a sector have identified this as one of our top priorities, and we've thrown considerable resources, both staff and financial, at dealing with it. We've launched what we call the "retail as a career" initiative, which has training models such as first-level managers and sales associates. This is really to help people who enter the retail workforce work their way up to management positions.

As you know, the government late last year adopted its employee training tax credit. This is an important initiative; however, it is geared primarily to the construction, industrial and manufacturing sectors. We're asking today that you consider extending the training tax credit to the service sector, and particularly to the retail sector, so that more employers can benefit from those training programs and really help to develop the skill sets within the retail sector. We encourage you to move forward with that. We think that's a really positive thing that the government can do.

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Regarding energy conservation, I am pleased to say that this is an area that our members are actively involved with. In fact, all retailers recognize the value of conserving energy, both from a responsible corporate citizen perspective and from an economic perspective. What we are asking for today is help from the government to allow our members to build upon their successes. Specifically, we would like to see the government offer a number of financial incentives, as well as develop a variety of education and awareness programs. This would also go a long way to helping the government achieve its objective of reducing energy demand by 5% by 2007.

Moving on to environmental levies, this is increasingly becoming a concern for retailers, as governments look to industry to fund all the various recycling programs that are out there. Our members support these programs and, in fact, are actively engaged in each and every program across the country. Given the significant impact these programs have on both businesses and consumers, we feel that the Ministry of Finance should play an active role in developing, approving and implementing recycling programs here in Ontario. Moreover,

we are calling on the ministry to advocate for the harmonization of these programs in order to ensure that they are administratively efficient for businesses to implement. To ensure transparency, we're calling upon the ministry to recommend that retailers be allowed to show environmental levies on the sales receipt.

For many years, RCC has pressed for harmonization of provincial sales taxes with the GST. We believe the value-added nature of the GST is much superior to the retail sales tax model. As well, harmonization of commodity taxation into one system would bring important economic benefits and savings to governments and taxpayers. Accordingly, we are urging the Ontario government to work with the federal government to pursue harmonization. The one caveat we have here, however, is that any such system must allow retailers to display prices tax-out in order to ensure that consumers receive the benefits of harmonization.

The Chair: You have about a minute left.

Mr. DeRabbie: OK. Looking at the taxation of business software, Ontario levies the PST on the full cost of software that is loaded on the server located in the province, regardless of where the software is used. This policy is not consistent with what is followed in other provinces. They tax the purchase of such software because it is used in the jurisdiction. The amount of tax required to be paid is proportional to the relative use of the software in the jurisdiction. So basically, we are looking for Ontario to bring its policy into line with that of the other provinces.

In closing, I'll note that there are two other briefings in your book. Both are tax simplification issues: one on bottled water and one on herbals and naturals. The issue with those is that Ontario applies PST differently to those products than other provinces or than the federal government does with GST. We'd ask, just for simplification, that Ontario move to streamline the application of PST on those items. We're not going to say whether you should exempt them or tax them. We're just going to say, make it simple and streamline it so retailers know what they're charging PST on and what they're not, because there's a lot of confusion in the marketplace about that.

Thank you again for your time today, and I hope that leaves time for questions.

The Chair: Thank you, and this round of questioning will go to the government.

Mr. Wilkinson: Great. Hi, Doug. Thanks for coming in today. We appreciate it. This is a great brief you've put together, because you're one of the few people who actually listened to what the minister said back in the beginning of December when we started this process and actually tailored your remarks to those things. So all of the members of the committee really appreciate that.

I just want to go over a couple of things that you were talking about. Of course, your sector is very important to the health of our province. That's without question.

I guess my concern is a couple of things, some comments you were saying. Balance the budget this year: That would be ahead of plan. I can assure you that would

not be done without massive job layoffs, which I would assume would depress the retail market in Ontario substantially. So I'm sure the minister is going to stay his course on getting us in balance over the mandate, as we stated.

I guess my other concern is to just let you know there have been quite a few people in here lately telling us that we should scrap the \$400,000 on the employer health tax. You'd like the exemption on that raised to \$600,000. They're very unhappy with that. So just so you know, it's good that you came and mentioned that. We're hearing the other side of the argument, because we've heard quite a bit of that today.

I just wanted to talk to you about the training tax credit on the retail sector. We are very committed to trying to build up apprenticeship, the skilled labour side. I think traditionally we've all thought of that as mechanics and carpenters and bricklayers, but could you kind of flesh that out for us a bit?

Mr. DeRabbie: Sure. Actually, we had a very good meeting this morning with the Minister of Training, Colleges and Universities to look at ways we can work together to develop skills in the retail sector. We see ourselves as the portal to the world of work, and what we'd like to be able to do is get the government to the table on this important initiative.

It's quite interesting. With retailers, you still have people who can start off as a cashier or as a clerk and end up as the president or CEO of a company, as is the case with the president of Wal-Mart Canada. So I think what we're really looking for is recognition by the government that this is important and then looking at ways we can work together to certify workers, to train them, to work with internationally trained workers and, through doing so, improve the economy of the province.

Mr. Wilkinson: And then build up those skill sets and identify that. If we're able to successfully sign a labour market agreement with the feds, I think there are some great possibilities here in Ontario for that.

We face a tremendous challenge in the province in regard to energy and a renewed focus on conservation after all of these years, and you're saying retailers in Ontario want to play a part in that. Can you be a bit more specific about how you see that working?

Mr. DeRabbie: We had actually appeared before the Conservation Action Team last fall and talked about the initiatives that our members are working on, as well as looking at the barriers they face and the incentives they would like to see. We certainly would like to see financial incentives. I think that would be important for energy-efficient technology, looking at incentives for new buildings to put in energy-saving controls and incentives for retailers to purchase energy-efficient equipment. But I think we can also work together on having education and awareness programs, both for businesses and for the public. I think if we can have some sort of a program that identifies and promotes companies as power-smart consumers, that would go a long way to engaging retailers in this area and having them build upon the successes that we have achieved already to date.

Mr. Wilkinson: That's great. The material that you could get specifically, you're seeing that more from a branding and maybe an exemption on the PST type of idea?

Mr. DeRabbie: Certainly. It's interesting because, of course, it's different when you look at large retailers versus small retailers. Large retailers see this as an economic benefit for them because they can substantially reduce their energy costs. With smaller retailers, it's engaging them on other levels, and one of them is through marketing. As I mentioned, it's a tough world out there right now. Independent retailers are struggling with a lot of different pressures, and one of the things they can use to stand out from their competitors is being environmentally friendly or power smart. I think if a program comes up geared to small retailers, that would help them buy into this.

The Chair: Thank you for your submission this afternoon.

CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

The Chair: I call on the Co-operative Housing Federation of Canada, Ontario region, to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to state your names for the purposes of our recording Hansard.

Ms. Lori-Anne McDonald: I'm Lori-Anne McDonald.

Mr. Harvey Cooper: I'm Harvey Cooper.

Ms. McDonald: I would begin by thanking you all for allowing us to make this presentation on behalf of more than 125,000 members living in 550 housing co-operatives in Ontario.

Housing co-operatives want to continue helping to meet the affordable housing needs of Ontarians. In our presentation today, we'll focus on a number of key housing issues that the Ontario government should consider as it prepares its 2005 budget: (1) meeting the government's housing commitments; (2) the state of housing in Ontario, a dilemma of supply and demand; (3) the affordable housing crisis, which is unaffected by increased vacancy rates; (4) improving the federal/provincial affordable housing program; and (5) protecting the viability of existing community-based housing.

We'll start with (1), meeting the government's housing commitments. Co-operative housing members applauded the new government's housing commitments, especially the promise to match federal funding under the affordable housing program to create 20,000 units of affordable housing in its first term. Together with the Ontario Liberals' pledge to fund housing allowances for 35,000 households, this was heartening news. Unfortunately, in the 2004 budget, the province decided not to fund these commitments.

Was this decision due to a misreading of the current rental housing market, in particular the increasing

vacancy rates? In fact, the recent easing of vacancy rates is caused by a combination of extraordinary and temporary factors that should not mask the underlying need for more affordable housing supply.

1520

Let's talk about the state of housing in Ontario, a dilemma of supply and demand. In July 2004, the Ontario region of CHF Canada and the Ontario Non-Profit Housing Association, ONPHA, jointly published *Where's Home? 2004: A Picture of Housing Needs in Ontario*. This report takes a comprehensive look at housing issues across Ontario and in 21 selected municipalities. *Where's Home?* illustrates trends in rents and vacancy rates, rental housing development, tenant incomes and housing affordability. It is based on data provided by CMHC, Canada Mortgage and Housing Corp., and Statistics Canada. We have on hand copies of the full report, which I was waving in the air, that can be provided to any committee member interested. Although it gives you all the detail, some of the highlights include:

Many households simply cannot afford available rents. Social housing waiting lists across the province remain long and continue to grow. Households on these waiting lists are conservatively estimated to number over 160,000.

An incredible 270,000 Ontario renter households, or 20% of all renter households in the province, pay over 50% of their income on rent.

Rental production in the late 1980s and early 1990s averaged more than 14,000 units annually. With the exit of senior governments from the housing field, this figure has declined to just over 2,000 units per year since 1995.

CHMC estimates demand for additional rental housing in Ontario to be about 16,000 households per year.

Let's talk about the affordable housing crisis, which is unaffected by the increased vacancy rates. While it's tempting to embrace this as good news, that there is an increase in the vacancy rates, there is more to the picture. Many years of low vacancy rates and rent increases higher than inflation have distorted the market fundamentals for renters. A variety of factors are at work in the loosening of vacancy rates, including the following:

There has been a dramatic increase in rents in recent years, particularly because of vacancy decontrol, with increases at double the rate of inflation in some municipalities.

Conditions for owning homes or condominiums have improved. Low, stable mortgage rates have temporarily reduced demand for rental housing. The current principal and interest carrying costs on Ontario's average-priced resale home remain very low by historical standards.

Net migration to Ontario has come off its 2001 peak, reducing pressure on rental demand. This may well change with the arrival of immigrants from tsunami-ravaged southern Asia.

Many young adults who would normally rent their own apartments are staying at home longer, due to relatively high youth unemployment.

Overall, it is important to remember that vacancy rates are cyclical. One can envision rates dropping as rapidly as they recently rose with increased interest rates from today's historic lows, return of normal immigration levels, and the slowing of graduation to home ownership as the pool of tenants with down payments dries up.

Let's talk about improving the federal-provincial affordable housing program, and I know you heard about this a little bit earlier.

Over three years ago the federal and provincial governments formally committed to the affordable housing program in Ontario. Because of serious program flaws and the lack of a matching provincial financial commitment, only a fraction of the promised units have been allocated under the program. The affordable housing program was planned by the previous Ontario government as a short-term, private rental supply program.

In the past year, we have made two submissions to the province proposing changes to the program that would help ensure that the public investment results in permanently affordable housing. As the province plans for the 2005 budget year, we are asking it to consider the recommendations that we set out in our report and that I'm going to review with you.

The province should provide capital grants to fully match the federal funding now available under the affordable housing program. The AHP was designed as a cost-shared program of the federal and provincial governments providing up to a total \$50,000 per unit in capital grants. The previous provincial government was willing to fund only about 10% of the provincial share, relying on municipalities, the private sector and other community partners to come up with the remaining 90%. The Ontario Liberal government has not yet increased its contribution beyond the \$2,000 per unit committed by their predecessors.

The Ontario government should redesign the affordable housing program to focus on developing not-for-profit housing to ensure long-term affordability and value for the public investment. New supply initiatives by the province should focus on developing permanently affordable, non-profit housing. Co-operative and other forms of non-profit housing have proven over time to provide the best return on public investment. Many earlier government housing programs, based in the private sector, have been unsuccessful. The poorest households have had little access to the housing, the units have not remained affordable and there has been little accountability to the taxpayers.

Provincially funded rent supplements should be provided for at least half of the 20,000 units to be developed under the program. The most glaring fault of the current affordable housing program is that it does not serve the hundreds of thousands of Ontario households on social housing waiting lists. As designed, the program sets the market rents to match CMHC's average local rent. To be considered affordable, at least half of the promised 20,000 units in the program must be accessible to low-income households on a rent-g geared-to-income basis. We

suggest that the government use a portion of their proposed \$100-million housing allowance program, merged with the affordable housing program, to provide these rent supplements.

The government must produce a mix of not-for-profit housing, including co-operatives, private and municipal non-profits, and supportive housing. The province should produce a mix of affordable housing to meet a range of needs. For the past three decades, most government housing programs have been designed to achieve this goal. Unless the province clearly targets a range of housing solutions for funding, underresourced community housing options, including co-operative housing, will continue to be marginalized.

The province should redesign the affordable housing program to ensure that the program works for smaller community-based housing organizations. Under the affordable housing program, non-profit and co-op proponents struggle with lack of equity and front-end cash flow. These problems must be addressed, and we have a few suggestions listed in our report.

We must protect the viability of existing community-based housing. The Ontario government should provide funding in the 2005 budget to top up the capital reserves of all co-op and non-profit housing providers operating under the Social Housing Reform Act to a level that will enable them to pay for the future replacement of their capital needs.

The Vice-Chair (Mr. Phil McNeely): You have one minute left.

Ms. McDonald: Thank you. The long-term viability of the social housing stock administered by municipalities is at serious risk. While the housing was still under provincial administration, the province imposed a moratorium for several years on the funding of reserves. We are now estimating that this shortfall is anywhere from \$500 million to \$1 billion. One immediate measure the province should consider is leveraging the government's preferred interest rate under the proposed mortgage partnership or the infrastructure financing authority to allow providers easier access to capital financing for significant repairs.

The province should and must commit to a comprehensive review of the Social Housing Reform Act and include the co-operative housing sector as a key stakeholder. Unfortunately, the Social Housing Reform Act has failed to deliver the more businesslike and reliable operating framework that co-ops had hoped for. In fact, in some respects, the funding arrangement under the act is less secure than ever. These problems must be addressed as part of a comprehensive review of the act. This is the number one priority for Ontario housing co-ops. The SHRA is undermining the community-based housing model that government turned to more than 30 years ago as an alternative to large-scale, government-owned and managed housing. Of course, we have put these recommendations forward to the Honourable John Gerretsen as well.

In closing, the co-operative housing in Ontario is a well-documented success story. I am proud to be the

president of the Ontario council for CHF, and I am proud of our history. For more than three decades, co-ops have provided good quality affordable housing owned and managed by community residents who live there. We look forward to working with the provincial government to strengthen these communities and develop more co-op housing to meet the needs of Ontario citizens.

Once again, I'd like to thank all the members of the committee for this opportunity, for giving me a chance to express my views today. Thank you very much.

The Vice-Chair: Thank you for your presentation. We'll now go to the official opposition.

Mr. Flaherty: How much time do we have?

The Vice-Chair: Five.

Mr. Flaherty: Five minutes. What's the growth like in the co-op world in Ontario? How much new co-op development is there?

Ms. McDonald: Virtually none, but—

Mr. Cooper: In the last, I guess, 10 years, since the federal government and the provincial government exited from the field, we've seen a handful of co-op units without government assistance come on board across the province, but it's very small in number.

Mr. Flaherty: I know in one of my own communities, in Whitby, that we have a significant co-op presence that's popular and well-run and serves significant housing needs. What's the resale market like?

1530

Mr. Cooper: Well, these are non-profit in perpetuity, so when residents move out of the co-operative, they don't pass their units on to anyone. It goes to somebody else on the waiting list.

Mr. Flaherty: I didn't put that properly. I meant to say "demand." What is the demand like in terms of waiting lists?

Mr. Cooper: The waiting lists, as noted in our brief, are quite lengthy. It would probably take, in different areas of the province, five years, six years, seven years; maybe in some of the smaller communities two or three years, but certainly in the major urban areas, including Oshawa, I think five years would be a reasonable expectation for perhaps somebody to wait to get in.

Mr. Flaherty: What makes up the demand? Are we talking about families with children?

Mr. Cooper: Most of it is family housing, although we have a range, everything from bachelors to four-bedroom townhouses. Probably two and three bedrooms are in the greatest demand right now.

Mr. Flaherty: In what areas of the province do you see the greatest demand?

Mr. Cooper: Again, most of our co-ops are concentrated in the urban areas, so Toronto; Ottawa; the Kitchener-Waterloo area is booming; Hamilton; certainly the Pickering-Ajax area is doing fairly well. There isn't a problem in terms of trying to have new residents move in; the problem is the lack of units available.

The Vice-Chair: That's the end of the questions. Thank you very much for the presentation.

ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

The Vice-Chair: We'll now hear from the Ontario Restaurant Hotel and Motel Association. Thank you very much for being here. You have 10 minutes for your presentation. Please state your name for the purpose of our recording Hansard when you start.

Mr. Terry Mundell: My name is Terry Mundell and I'm the president and CEO of the Ontario Restaurant Hotel and Motel Association. The ORHMA is the largest provincial hospitality association in Canada and represents an industry comprising more than 3,000 accommodation properties and over 22,000 food service establishments, 17,000 of which are licensed to serve alcohol in Ontario.

Our industry is one of the most dynamic and competitive sectors of the provincial economy, yet it continues to struggle from a number of uncontrollable factors, such as 9/11 and the resultant border delays, SARS, mad cow, the NHL strike, high gas and oil prices, rising insurance costs, the high Canadian dollar, and increased food costs due to weather conditions in the southern states.

Many of these factors and other factors have affected the travel patterns into and out of Ontario. US tourists to Ontario accounted for more than 20% of Ontario's tourism in 2004. Only 21 million Americans traveled to Ontario in 2004, compared to 28 million in 2001, a decline of 25%. Tourism projections indicate a slight increase in American tourism to Ontario over the next four years, but 2008 estimates—25 million—remain lower than 2001 statistics.

In order to support the sustainability of the industry, the government must take action to ensure that both fiscal and social policy foster and support business growth and do not jeopardize investment, competitiveness and employment.

Recognizing the challenges the government faces, ORHMA recommends a number of policies to support the sustainability of our industry and to leverage Ontario's hospitality industry as a tax revenue and employment generator for the provincial economy.

I've put forward to you a detailed submission outlining some of the priority areas of concern and several specific recommendations, but I wanted today to simply provide you with an overview of these concerns as time permits. The focus of our recommendations is the sustainability of the hospitality industry.

The ORHMA was pleased with the recent announcement by the finance minister that an advisory panel has been established to undertake a comprehensive review of Ontario's beverage alcohol system. This is an important initiative, as the alcohol pricing structure in Ontario is very complex. Unlike other consumer products, prices not only reflect the manufacturer's cost, the wholesale and retail markups and the federal and provincial taxes, but there is also an intricate system of additional fees and levies that drives up the licensee's costs of serving wine, beer and spirits.

To create efficiencies, lower costs and make our industry more competitive, licensees require more options regarding selection and purchasing. To accomplish this, the ORHMA recommends that the government eliminate the gallonage fee, implement a true wholesale pricing regime for licensees and establish a transparent and accountable system for beer pricing in Ontario.

Moreover, as part of the discussion on the beverage alcohol system, the government must examine the roles and responsibilities of the Alcohol and Gaming Commission of Ontario, which acts as both the adjudicative body as well as the enforcement agent. This creates great concern for Ontario's licensees. The ORHMA recommends that government separate the enforcement and prosecution functions from the adjudicative functions of the AGCO.

Ontario's licensee community is about to be further hurt by the Smoke-Free Ontario Act. Let me be clear: The ORHMA supports provincial legislation to do away with the existing patchwork of municipal bylaws. However, the Ontario tobacco strategy has implemented measures to assist Ontarians with smoking cessation programs and has put in place measures to assist Ontario's tobacco farmers, but it has failed to examine an exit strategy for the hospitality industry. The ORHMA therefore recommends that the government prepare a phase-out strategy specific to the hospitality sector. This may include such supportive measures as the elimination of the gallonage fee, the establishment of a wholesale liquor pricing structure and dedicated support for the more than 700 operators who have invested in municipally approved designated smoking rooms and will lose that investment due to the Smoke-Free Ontario Act.

From a broader perspective, the whole of Ontario's hospitality industry requires the government's support through sustained investment in tourism marketing. Dedicated investment in tourism marketing is fundamental to the success of the tourism and hospitality industries. The Ontario Tourism Marketing Partnership Corp. works collaboratively with the private sector to promote Ontario as a four-season destination through the development of research-driven campaigns. The ORHMA recommends that the government support the promotion of tourism within and to Ontario through a \$20-million increase in permanent annual funding to the OTMPC, with some funds specifically allocated to attracting more US visitors to Ontario. Windsor, Niagara, areas in northern Ontario and of course Toronto count on these funds and those visitors to increase their businesses.

Furthermore, to support the promotion of destination marketing, the ORHMA continues to support industry-led destination marketing fees. The 2004 provincial budget announced a one-year RST exemption for DMFs. The ORHMA recommends that the RST exemption on DMFs be made permanent, and further recommends that the government reject municipal requests to levy a hotel room tax to fund municipal infrastructure and programming costs.

Ontario's hospitality sector is already paying exorbitant municipal fees. Commercial property taxes in Ontario

remain unfairly and uncompetitively high. Property taxes make up 17% of a food service establishment's net income before taxes, and Ontario's accommodation properties pay almost 80% more in property taxes than the national average. The ORHMA recommends that the provincial government introduce legislation requiring municipalities to be within the ranges of fairness by 2006, and that the provincial government maintain existing commercial property tax rate caps.

As well, the provincial government should not permit new revenue-generating powers to municipalities that would levy new taxes on business, thus negatively impacting investment, private sector revenues and subsequently job losses.

The ORHMA is also concerned with Waste Diversion Ontario. Only two years ago, stewards paid \$30 million toward municipal blue box programs. The 2005 rates have just recently been approved and stewards will remit more than \$64 million to fund their share of the municipal blue box costs. Stewards require real and immediate assurances that the fees they submit are used specifically for this program, and that the programs are operated in an efficient and accountable manner.

In order to assure both cost containment and cost certainty for stewards, the ORHMA recommends that the government establish a standard municipal model for waste diversion, specifying the types of materials collected and the costs and revenues associated with each, as well as a standard reporting model, to assure stewards that remitted funds are directed to approved costs and expenditures.

The ORHMA further recommends that, using the standard municipal waste diversion model, the government compel municipalities to implement cost containment strategies.

As a closing comment, the ORHMA was pleased with the government's focus on northern Ontario in the 2004 budget. Unfortunately, our members in the north continue to struggle and have seen little action on the positive initiatives previously announced. We urge the government to revisit their earlier commitments to northern Ontario and to take action immediately to provide economic development opportunities in northern Ontario, which in turn will help provide a sustainable hospitality industry.

Thank you very much for your time.

The Vice-Chair: Thank you for your presentation. We will now go to questions by the NDP.

1540

Mr. Prue: Terry, a pleasure to see you again, as always. You've got a number of recommendations here; let me just go down through some of them.

You are recommending that the government separate the enforcement-prosecution function from the adjudicative function. This committee just recommended something very similar with the Ontario Securities Commission. Are you aware of that one and is it the same rationale?

Mr. Mundell: It is in fact the exact same rationale, Mr. Prue.

Mr. Prue: Why do you find it difficult the way it's set up now? Do you think the appearance of fairness is not there because the prosecutor and the adjudicator are one and the same?

Mr. Mundell: It is very much that, that there is an issue around the appearance of fairness. In terms of the last decision and the announcement by the government to change the other commission, I think the principles are exactly the same. You have an enforcement agency and an adjudication process that are twins, are in the same organization. In my mind, there is no transparency in that process, and to our members I think there is no sense of fairness in that. Those who lay the charges get to decide whether they did the right thing or not.

Mr. Prue: OK. You've made a recommendation here on the designated smoking rooms, 700 such operators in the province of Ontario. Of course, living in Toronto, I am most familiar with what Toronto did: Those are all grandfathered until the year 2006, at which time they're not to be there any more. I know other municipalities have deadlines. Most of them have the same deadline or approximately the same year. You want a lump sum payment. I'm just wondering why the province or anyone would pay. Why wouldn't you just wait until 2006 when they phase out all by themselves anyway?

Mr. Mundell: I think that's the issue. You have a group of operators across Ontario who went out and put together a business plan to make a capital investment in their facilities. The payback time for that capital investment for many of them could have been five, seven, 10 years down the road. Having said that, they were complying with the municipal government and the municipal laws of the time. Essentially, you have a situation where on May 31, 2006, that capital investment and the business plan you had to recoup that revenue is no longer, because you can no longer use that facility. So in good faith, operators invested in their business, went to their banker and borrowed money with a longer payback period. Essentially you now have that payback period being shortened, so they won't have the revenue to pay for the capital costs and the loan they've got. Somehow, the government has looked at transition studies in that legislation, the Tobacco Control Act, where they've dealt with exit strategies for the farming community and have dealt with cessation programs for Ontarians, which all make sense. What they've not done yet is dealt with an exit strategy for the hospitality industry.

Mr. Prue: But the exit strategy would be—I'm trying to get a time frame.

Mr. Mundell: Well, if the legislation comes into place May 31, 2006, you need to start now to build revenues to be able to handle the dip. Since 1999, the bar and tavern sector has dropped 17% in revenues and their average profits went down to about 3.7% from 5.4%. We need to start now with that community to build revenues to sustain the initial hit they're going to have when that legislation goes into place on May 31, 2006.

Mr. Prue: This question has to do with the rejection of the municipal request to levy a hotel room tax. For years, the Ontario hotel association lobbied to have such

a tax. When the province and the municipality were unable to do it, they, in the Toronto area anyway, levied their own. It seems that your association is diametrically opposed to the group that went ahead and did it and is generally responsible for hotel rooms.

Mr. Mundell: Actually, we're not opposed; we're 100% on the same page. The situation in Toronto with the Greater Toronto Hotel Association—and I know you'll hear from them in the morning—is that they went out and the industry initiated a voluntary destination marketing fee. That marketing fee raises a significant amount of money to be used toward marketing the city of Toronto and the GTA. What is happening in your discussions around the new City of Toronto Act and changes to the Municipal Act—the city of Ottawa requested the same type of authority—is to look at allowing the city of Toronto or other municipalities the authority to put a tax on hotels, the money from which would then be used to fund municipal infrastructure programs, bricks and mortar. The destination marketing fee in place right now in Toronto is used specifically to market Toronto and the GTA. That's the difference. It is a significant difference in terms of the end result, who uses it etc.; it is not to be used for municipal property tax or like property tax. We now pay 80% more in property tax on average than the national average.

The Vice-Chair: Thank you very much. That's the end of the question time. Thank you for your presentation.

INCOME SECURITY ADVOCACY CENTRE

The Vice-Chair: The next delegation is the Income Security Advocacy Centre, if you would just come to the front. You have 10 minutes for your presentation. There will then be five minutes for questions. When you begin your presentation, please state your name for the purposes of Hansard.

Ms. Carol Deacon: Thank you for inviting me here. My name is Carol Deacon, and I'm with ISAC, the Income Security Advocacy Centre. ISAC is a provincial test case and law reform clinic that is part of Legal Aid Ontario.

In discussions about budgets, we focus a lot on numbers. We must keep in mind that we are not just talking about numbers in isolation from people's lives. We must remember that numbers have consequences, especially for low-income people.

Last year's budget spoke to the need to revitalize Ontario's social services sector. Over the past year, the Ontario government has made some movement in this regard. However, the revitalizing process has stalled because of the government's insistence that no more money is available. The government must ensure that there is sufficient revenue to do what is necessary. Sufficient revenue to rebuild social services can be achieved either by earmarking existing revenue or raising additional revenue through taxation.

Social assistance is one of the key components of income security in Ontario. However, Ontario Works and

Ontario disability support program benefits are failing to provide adequate income to low-income people simply because the rates are so low. People on social assistance, as you all well know, are living far below the poverty line. The government's 3% increase to social assistance rates will not be implemented until March 2005 and falls well short of providing an adequate level of income for individuals and families surviving on social assistance.

The reality is that the vast majority of people on social assistance are there for one of three reasons: loss of job, loss of spouse or loss of health. We need social assistance rates that enable people to have an adequate standard of living while they are dealing with a crisis that could happen to any one of us.

The March 2005 increase of 3% to social assistance is not adequate. For example, a two-parent family with two children under seven years of age will receive approximately an additional \$12 per week from the Ontario disability support program or approximately an additional \$8 per week from Ontario Works to meet all of that family's needs. That family is still living approximately 40% to 60% below the poverty line, depending on whether they receive Ontario disability support or Ontario Works benefits. Consider also that a single mother with one child will receive a shelter allowance of \$526 from Ontario Works, while the average cost of a one-bedroom apartment in Ontario is \$767. The 3% increase in March 2005 falls short of the mark.

It is ISAC's position that social assistance rates should be raised to reflect the real cost of living. That means shelter costs that are based on average rents as calculated by the Canada Mortgage and Housing Corp., a basic needs allowance that is based on the nutritional food baskets prepared by local health units, and the calculations for the costs of household operation, household furniture and equipment, clothing, transportation and health care reported in Statistics Canada's average household expenditures. ISAC's position is in keeping with the jury recommendations that examined the death of Kimberly Rogers.

Inadequate social assistance rates are compounded by the fact that the provincial government claws back the national child benefit supplement, or NCBS, from families receiving social assistance. Premier McGuinty promised to end the NCBS clawback. He has not yet kept his promise. Instead, the Premier has simply allowed families receiving social assistance to keep the July 2004 increase to the NCBS. Consequently, a single parent with two children receiving social assistance will receive a monthly NCBS benefit of \$234 from the federal government. The Ontario government claws back \$226 each month from that parent's social assistance. That means this family only gets to keep a total of \$8 each month. This is a lot of money for any family to lose in a year, let alone a family that is trying to survive on income that is well below the poverty line.

1550

The clawed-back money is used to fund reinvestment programs for low-income families. In effect, the reinvestment programs are funded on the backs of families

receiving social assistance, some of the poorest families in Ontario. To make matters worse, many families on social assistance cannot access the reinvestment programs.

Worthwhile though they may be, the reinvestment programs should not be funded this way. It's ironic that some food banks are partially funded by municipalities through NCBS clawback funds. Approximately three quarters of the Daily Bread Food Bank clients surveyed in 2004 who received social assistance and had children believed they would not need to use the food bank again or could reduce their food bank visits considerably if they did not have the NCBS clawed back from their social assistance cheques.

The reinvestment programs may be important, but these programs should not be funded at the expense of hungry children. In Ontario, the average monthly number of children affected by the NCBS clawback in 2003-04 was approximately 164,000. It is ISAC's position that ending the NCBS clawback from social assistance cheques is a crucial and necessary step that the government must take immediately.

The minimum wage effectively acts as a ceiling for social assistance rates. Provincial governments stubbornly refuse to set benefit levels higher than the minimum wage. An inadequate minimum wage means inadequate social assistance rates. As you know, the provincial government has raised the minimum wage. However, the minimum wage is still not adequate. A minimum-wage worker, as of February 1, 2005, will earn \$7.45 an hour. That person will be living on wages that are approximately 32% below the poverty line. If the worker has dependants, the situation is even more dire.

Women, immigrants and visible minorities are over-represented in Ontario's low-wage workforce. Canadian and American studies have shown that raising the minimum wage would have a minimal impact on employment levels. Factors such as the business cycle, economic growth and labour supply are far more important than the minimum wage in determining employment levels. These studies illustrate that raising the minimum wage will not automatically lead to job loss. Politicians have to resist the argument that minimum-wage workers have to choose between a decent wage and a job.

Politicians should also resist the argument that minimum-wage workers are concentrated in small businesses struggling to survive. In 2000, according to Statistics Canada data, 71% of low-wage jobs were in businesses with more than 20 employees and 40% of low-wage jobs were in businesses with over 500 employees. On the other hand, raising the minimum wage will put more money into the hands of low-income individuals and families, who in turn put millions of dollars into local economies. Raising the minimum wage means individuals, families and the broader community are all better off. It is ISAC's position that the minimum wage should be immediately raised to \$10 per hour and thereafter indexed to the cost of living as an important first step toward ensuring the right of all workers to an adequate standard of living.

In December 2004, Deb Matthews released her review of employment assistance programs in Ontario Works and the Ontario disability support program. The Matthews report thoughtfully took into account the views expressed by low-income people and their advocates. It is the position of ISAC that people whose circumstances compel them to rely on social assistance will be well served by implementing all of the recommendations in the Matthews report.

In conclusion, the measure of any society is the manner in which it treats and responds to its most vulnerable people. Individuals do not choose or create poverty, states Dr. The question is one of political will.

On behalf of low-income Ontarians, we ask the committee to recommend that sufficient revenue, whether from existing or new sources, be allocated in the 2005 budget to achieve the following:

- (1) an increase in social assistance rates reflecting actual costs of living in each community;
- (2) an increase of the minimum wage to \$10 an hour;
- (3) an end to the NCBS clawback; and
- (4) implementation of the Matthews report recommendations.

The Chair: Thank you. This round of questioning will go to the government.

Mr. Wilkinson: Thank you for coming in, Carol. We appreciate it. There are just a couple of things I wanted to go over with you. You have to be Solomon to be in this job nowadays to try to deal with all the competing interests and to help out.

I know you were very complimentary about Deb Matthews's work. She just poured her heart and soul into that. But you seem to criticize the minister for not acting on it. That report is relatively new and things are done on a budgetary cycle, so Minister Papatello needed to get that information from my colleague Ms. Matthews to start building the case inside her own ministry and then subsequently to cabinet about how to address this. Again, I wouldn't discount the work that she did. I think it's been quite influential on the government, particularly, I know, with her colleagues. We all read it with a tremendous amount of interest because, as MPPs, all of us deal with this every day. People come to our offices, and their problems are compelling.

The national clawback is, I think, the most difficult of issues and something that we're just grappling with. Basically, you're saying, "Just raise taxes or get it from someplace else. Stop the clawback, but don't get rid of these other programs." In our ridings, we know where some of this money is going into these other programs, and they're valued programs as well. Really, it's a question of where we need to have both. I just want to get your opinion on that, just so we're clear: Get rid of the clawback, but maintain all the other programs that are being funded by that?

Ms. Deacon: Yes. I think it's possible. I think you have to look at the programs themselves to ensure that they're all worthwhile, that there's no duplication. I think, in terms of funding the programs, if you look at

Manitoba, they were able to phase out the clawback, and they maintained all of their programs.

Mr. Wilkinson: How long did it take for them to do that?

Ms. Deacon: I believe it was three years.

Mr. Wilkinson: So we're trying to come up with some type of a program that would allow us to get to the promised land. It's very difficult under the fiscal constraint that we have. We had three economists in here today. One said, "No, things are much better than you think," and we had two saying, "No, no, they're not nearly as rosy as you think. We're heading for an economic bruising in this province." All of us around the table, collectively, hope that things are better. Of course, you just never know. But you're saying that we'd be able to get this over the three years.

The other question is—

Ms. Deacon: Might I just go back to the other question?

Mr. Wilkinson: Yes.

Ms. Deacon: In terms of the programs as well, there's a substantial pot of money that's not even spent. When we looked at 2003 figures, I believe, from the various municipalities, there was over \$20 million unspent that was carried over. So I think there's probably movement there, in terms of not necessarily needing the amount of money that's clawed back.

Mr. Wilkinson: You do have some concerns that perhaps there is some duplication and perhaps some programs that aren't as effective.

Ms. Deacon: Exactly.

Mr. Wilkinson: I know it's difficult for you, politically, to say which ones those are, but you do have concerns. That's the thing that we have to look at to be able to try to have both of those things. We definitely can't afford duplication; I can assure you of that. It's hard enough to come up with the money we need.

Ms. Deacon: I leave that to the government. I believe the government's doing a review now of the programs, so you would be in a better position to know if there's duplication.

The Chair: Thank you for your presentation this afternoon.

TORONTO BOARD OF TRADE

The Chair: I call on the Toronto Board of Trade to please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Glen Grunwald: Thank you very much. My name is Glen Grunwald, and I am the president and CEO of the Toronto Board of Trade. With me today is Cecil Bradley, our director of policy. I'd like to begin by expressing our appreciation for the opportunity to give input on behalf of the board for the upcoming budget. Unfortunately, as you can tell, I have a very bad case of

laryngitis, and I'm going to turn it over to Cecil for his comments. I've asked Cecil to deliver our thoughts today.

1600

Mr. Cecil Bradley: Thank you, Glen.

My name is Cecil Bradley, and I am director of policy with the Toronto Board of Trade. I'd like to reiterate Glen's thank you. We're really grateful for the opportunity to appear before the committee. It's fairly important work you do. The government needs input from a lot of sources as it prepares a budget, and looks to this committee for some real help. So we commend your work, and we're grateful for a chance to appear before you.

All budgets are important and, of course, the 2005 fiscal plan for Ontario has special significance for the city of Toronto. We believe this is a moment of unprecedented opportunity. For many years, senior governments have not provided Toronto with the kind of support, independence and recognition we believe it requires in order to reach its true potential, but we do see encouraging signs of change. Minds are opening and new relationships are being forged. Frankly, it's just in time.

Toronto is, of course, already the economic engine of Ontario and the nation, producing more jobs, more opportunity and more government revenue than any other city in Canada. However, even the best of engines can't run forever without fuel and maintenance.

No one should be surprised that Toronto is showing signs of losing its strength and vitality: 30,000 to 40,000 jobs lost in the last three years, even while our population has grown; major employers—a couple of recent examples are Kodak and Colgate—moving out, and no one of similar size or significance moving in to replace them. In a clear sign of danger for anyone who travels the city, Toronto's infrastructure is crumbling in places.

Our public transit system is struggling to maintain a state of good repair, never mind expanding to meet the needs of a growing population. Without such expansion, the TTC and GO are not able to attract and retain riders. People take their cars, adding to gridlock and pollution, which reduce our competitiveness and quality of life.

The waterfront remains a model of the power of stasis to stifle potential. Affordable housing remains an unaffordable dream for a growing number of Torontonians. But, amid all the troubles and challenges, we're also seeing important change.

In the past year or so, new leadership at the municipal, provincial and federal levels has woken up to the state of the city and its importance to the Ontario and Canadian economy. We've seen this rise of the so-called new deal for cities, with fresh support and fresh hope for Toronto.

On behalf of the Toronto Board of Trade, I'd like to acknowledge the important steps the Ontario government has taken in this regard:

The sensible sharing formula for the provincial gas tax revenue will provide an important new revenue stream for Toronto's transit system. It's a model and an example that the federal government would do well to follow.

Even more important is the province's willingness to rewrite the City of Toronto Act. The Toronto board has long held that that legislation must be updated and reformed. We were very pleased to hear the Premier, speaking at our annual dinner last night, agree that this is a priority for his government and that Toronto deserves less prescriptive legislation.

However, while we are encouraged, the actions taken to date have simply not been enough. Now is the time for more complete and permanent solutions, and this budget can be a starting point.

Budgets are about choices, especially when faced with a structural deficit that must be eliminated. Any investments must be strategic and yield measurable results. We understand and applaud the government's goal of good fiscal management. Torontonians and Ontarians are relying on the government of Ontario to make tough choices and spend their tax dollars where the return is greatest. No surprise, perhaps, we argue that choosing to invest in Toronto to improve the vibrancy and competitiveness of Ontario's economy will have greater impact than almost any other investment you can make.

In our submission, the board has outlined what it believes to be the key commitments needed from the province in budget 2005. I'd like to touch on three main points in our submission. Those are: address the issues of Toronto's autonomy and revenue; make strategic investments in Toronto's future; and ensure the fiscal competitiveness for a sustainable future.

First, Toronto needs the freedom and authority to better manage its own affairs and reach its potential. This will require allowing Toronto two things: a greater degree of autonomy, and the financial tools and resources required to deliver the services for which it is responsible.

The rewriting of the City of Toronto Act is a major step forward in this regard. The board of trade fully supports the government in this decision, and we will contribute our ideas and energy to the success of this project.

As our chair, Phil Evans, announced last night during our annual dinner, the board of trade is striking a new task force of leading business people in Toronto that will focus on the new act; in particular, governance, accountability and revenue tools. Our group will gather the best ideas from the business community and present a final report for the provincial and city governments by June.

The second of our major recommendations is a call for strategic investments in priority areas for Toronto. The list begins—no surprise—with transit. It is long past time for the creation of a greater Toronto transportation authority. The municipalities of the GTA and Hamilton need a unifying body to knit together policies, practices and services. If we fail to make it possible for people and goods to move freely into, out of and across the city, they will look for other places to live, do business and create jobs.

Another area of long-delayed action is the revitalization of our underused and idle land resources, namely,

the waterfront and Toronto's extensive brownfields. The board has specific ideas in our submission for ways in which the province can rejuvenate the waterfront portfolio and end the waste of prime real estate, money and time. We also offer new suggestions for encouraging the revitalization of former industrial land and the creation of opportunity and vibrancy for Toronto, ideas such as tax increment financing, allowing site clear-up costs to be capitalized or expensed, and the acceleration of the funding flow to the Toronto Waterfront Revitalization Corp.

As you know, the Toronto Board of Trade looks beyond what some might think of as purely business issues. We also consider what adds to the quality of life in the city, because a great place to live is also a great place to do business. One of these issues is affordable housing. The availability of affordable housing is a major factor in creating an attractive, liveable and competitive city. It's a key determinant to business location decisions because it influences the willingness of employees and their families to move to or remain in a city. It's also important to business because housing costs are a major source of wage pressure, and a major cause of long commuting times and urban sprawl. While the board of trade holds that the property tax burden must become fairly balanced, over time, across all property classes, we also support direct provincial action to reduce the cost of housing in the city.

Another vital strategic investment is post-secondary education. Much has been said and written about the changing nature of our economy and the need for people with specialized skills and knowledge. I think everyone can agree that making those skills and that knowledge more accessible and available would be good for our society and our economy. Our submission offers specific ways in which some of the current barriers and limitations can be removed.

The last area of strategic investment we identify is tourism. The board would like to commend the government of Ontario, specifically the Ministry of Tourism, for responding to the serious impact on the tourism and hospitality sector caused by SARS. We all learned many lessons during that crisis, and the tourism and hospitality industries learned how much they can accomplish through joint co-operation. Their hard-earned progress should be supported and used as the basis for continued recovery and future growth. So we are calling on the government to maintain or grow the Ontario Tourism Marketing Partnership Corp.

Our third and final set of recommendations focuses on the province's fiscal policy. We're pleased to see the government working to balance the books. This is an essential step toward financial health and future flexibility and it should be continued.

Program spending should be strategically allocated to program areas where it will have the greatest impact. Such spending must also be controlled to ensure the structural deficit is eliminated. Going forward, program spending must be maintained at a constant level in real

per capita terms to drive down the province's debt burden, allowing for future flexibility.

On taxation, our position on business property taxes and the current unfair burden on businesses in Toronto is spelled out in detail in our submission.

I'd also like to take a moment to touch on the topic of capital tax. In brief, I think we find the elimination of capital tax to be a good idea. The schedule for phase-out that was announced in the 2004 budget strikes us as too slow and we would strongly recommend it be accelerated.

1610

The Chair: You have about a minute left.

Mr. Bradley: Thank you. Our submission contains many other important ideas, such as reform of the Ontario tax appeals branch, the adoption of a realistic schedule for closing down coal-fired power plants and the creation of a single regulator for the securities industry. However, I know our time is limited, and I refer you to the submission for the details on these and our other recommendations.

Urban issues, whether it's deteriorating infrastructure, a need for greater municipal autonomy, better transit or affordable housing, have dominated public policy discussions over the last year. Clearly these are formidable challenges and will require collaborative and strategic solutions. The board believes all three orders of government and the private sector must work together if real solutions are to be found. We believe that a strong, strategic and city-focused 2005 budget will give the government of Ontario the tools it needs to lead the way.

The Chair: Thank you. In this rotation, we go to the official opposition.

Mr. Flaherty: How much time do we have, Chair?

The Chair: Five minutes.

Mr. Flaherty: Oh, just five minutes. Thank you for doing this this afternoon. I know, from reading the newspaper, that you had a busy time last night at the dinner, which I hope was very successful.

Did the Premier really say last night, "What's good for Toronto is good for the province of Ontario"? Did he really say that?

Mr. Bradley: Exactly.

Mr. Flaherty: Oh, my. What about what's good for Ottawa or Windsor or London or Cornwall or Whitby? Did he mention those places last night as being good for the province of Ontario as well?

Mr. Bradley: No.

Mr. Flaherty: No, he omitted them last night. Let me ask, what's good about this incredibly high taxation of the commercial-industrial base in the city of Toronto?

Mr. Bradley: I don't think we have ever argued or said that's good. In fact, our position is the contrary. Over the years, we've made many representations to government about the C and I rate in Toronto. The rate, or the tax burden, is unfair when it's compared between classes, and it's uncompetitive when you compare it on an intercity basis with the GTA.

Mr. Flaherty: This is not news, but it has caused an exodus of jobs, particularly from downtown Toronto but from the city of Toronto, to the adjoining municipalities. You've got that documented in here; I see in the past year a loss of—

Mr. Bradley: I believe the number is 37,000.

Mr. Flaherty: "Toronto has lost over 37,000 jobs over the last three years." And there's an increase in the vacancy rate in downtown class A. This has been a problem for years now, which the city has Toronto has failed to remedy on its own and which the province has been trying to remedy, including when we were the government and now the current government.

We had some economists here earlier this afternoon, and one of them, I think it was Jack Mintz, opined that he doesn't like one level of government going after another level of government for money—for bailouts or whatever you want to call them—on the basis that governments are more accountable when they actually have to raise the taxes themselves for their own expenditures from their own people.

I dare say that is an issue with the city of Toronto, coming to the province repeatedly for subsidies from the province overall, particularly when you see things like that commercial-industrial ratio being way out of line year after year and the city of Toronto not addressing the issue, and seeing the closed-shop policies with respect to bidding for the city of Toronto.

On that second point, is there anything in the submission—I looked for it quickly—about the closed-shop policy that excludes some members of your board, I believe, from bidding on city of Toronto projects?

Mr. Bradley: We don't address that topic in the brief to the province, but in our pre-budget brief to the city, we do speak to the question of the city looking at alternatives to service delivery other than own delivery. For a number of years, the board has now made recommendations to the city which look at alternative means of delivering services, up to putting out services for competitive bidding.

Mr. Flaherty: Right. I'm actually going one step further than that. I certainly agree with that, but also the step that whether a particular enterprise or business is unionized or not—being non-union would not disentitle the entrepreneur from bidding on a city of Toronto project.

Mr. Bradley: To the best of my knowledge, we haven't provided advice on that point to the city.

Mr. Flaherty: I commend it to you, because I certainly heard it often enough when I was dealing with finance matters vis-à-vis the city of Toronto, that it was something that quite frankly is not good for the province of Ontario, though some might think it's good for Toronto, including the Premier, I gather from his comments last night.

Have you looked at the bigger picture, and I mean this in all sincerity, looking forward in Ontario? If we look forward to the next 10, 20 or 30 years, southern Ontario is increasingly urbanized. This is not just about the city

of Toronto; it's about the greater Toronto area, and also about the Hamilton-Niagara area, and then east of the city out to Cobourg and beyond. In your planning, are you taking the bigger picture into consideration, which I think is vital if our planning is going to be intelligent over the next generation in Ontario?

Mr. Bradley: I think we do. I think one of the reasons we're so strongly behind the establishment of a greater Toronto transportation authority is because the board recognizes how key transportation infrastructure is to the development of the region in a reasonable and rational way. You can only do that if you have an entity where you can plan and set priorities and coordinate projects on a regional basis. You can't continue to sort of grow in the uncoordinated way or provide transit services in the uncoordinated way which is currently the case.

The Chair: Thank you for your submission this afternoon. That concludes the presentations for this afternoon.

Interjection.

The Chair: Point of order?

Mr. Flaherty: Oh, yes, that's what I meant to say. I don't have my colleague Mr. O'Toole here to guide me in all things.

I want to, if I may, bring a motion quickly about the hearings and propose that the hearings of the committee be extended. The motion is as follows:

While the official opposition recognizes that all three parties unanimously agreed to the existing pre-budget hearing schedule, it must be noted that this decision was made prior to all requests for representation being received by the committee clerk.

During the past week and a half of committee hearings, it has become clear that many hard-working Ontarians are concerned about the content of the 2005 budget and wish to have their voices heard.

This is highlighted by the fact that 121 individuals, associations and interested parties applied for one of only 42 presentation spots in Toronto. As such, two thirds of those Ontarians who wished to be represented will be unable to be heard by the committee.

Because this committee is not scheduled to meet to deliberate its final report for an entire month, it only seems appropriate that we take some additional time to hear from as many of the presenters that have requested representation as possible.

Therefore, I propose that the standing committee on finance and economic affairs sit for an additional two to three days in Toronto during the week of January 24 to 28, 2005, in order to accommodate all those presenters who were designated as alternates by all three parties.

Any agreement reached by this committee would be subject to the subsequent approval of the revised time frame by all three party whips. On behalf of the official opposition, I'll provide the Chair with a signed letter from the official opposition whip in support of this motion.

I would ask that once this motion is approved, both the government and third party provide letters of support

from their respective whips by noon tomorrow, January 19, 2005. This will ensure that the clerk can make the necessary arrangements.

This is in keeping with the government's commitment to more public consultation on all matters of provincial interest, and is keeping in good faith with those people in Ontario who wish to have their voices heard prior to the drafting of the 2005 budget.

I believe that this is a motion that should be supported by all members of this committee. When we as legislators are presented with an opportunity to hear directly from those individuals who we represent, it is our responsibility to do so.

This committee has unanimously made several accommodations for presenters in Ottawa, Kingston, London and Whitby, and I trust that everyone around this table will continue to act in good faith and support this motion.

That's the motion, Chair.

The Chair: Further debate?

Mr. Prue: I could vote for it, but it is literally impossible, I have to tell you, to find our whip. He is not in the country and I just don't know what to do with it. I don't know whether the government—they have the overwhelming majority—is going to vote for it or not, but I have no way of contacting the whip. I just wanted to let you know that.

Mr. Colle: It's not properly before us. Any motion has to be debated during the report-writing stage.

The Chair: I'm advised by the table officers that since it is procedural, it can go forward. Mr. Wilkinson?

Mr. Wilkinson: Mr. Chair, what's the—

Mr. Colle: Wait.

Mr. Prue: Perhaps, Mr. Chair, while they're looking at that, I could also advise the committee that, again, although I am not necessarily going to vote for it—I just don't know what to do at this particular stage. I do not know whether a member of the third party will be available—I certainly will not—during the time frame that has been set out. If it is amended to read "in February" or "after February 7," I would make every effort to accommodate the committee by attending.

Mr. Colle: The times, meetings, dates and length were all unanimously agreed upon so that all members and applicants could be informed. There was no disagreement. The dates, times and places were agreed to unanimously by the subcommittee. At this late date, to change the schedule is quite extraordinary, and certainly we are not in favour of changing the dates at this time.

Mr. Flaherty: Just quickly, Mr. Colle is absolutely right that there was agreement on the schedule and so on. That was, of course, before we had this overwhelming demand to be heard by the committee, particularly in Toronto.

With respect to the concerns of the third party, I'm sure there must be a deputy whip that you could get hold of. In any event, we're prepared, in terms of the timing of the motion, to go along with any reasonable timing concerns that Mr. Prue might have, if February is better and next week is not possible.

Mr. Wilkinson: Just a quick question to the clerk: The deadline for written submissions to this committee is what day?

The Clerk of the Committee (Mr. Trevor Day): This Thursday, 5 o'clock.

Mr. Wilkinson: Of course, that's been widely publicized right across Ontario.

I do note that there has been some duplication in those who have come to see us; less than last year, but there has been a certain duplication of the time we've spent. I know there was a concerted effort to try to eliminate that duplication so we'd have the greatest range of advice from the public for this committee. But to change rules at a late date, when people have been able to submit in writing—I read the reports that we get from the clerk. I trust that all members would do that. As a matter of fact, many presenters come here and just read the reports that they have prepared.

Mrs. Carol Mitchell (Huron-Bruce): The presenters the official opposition has made reference to, is there any way they could be notified next year prior to the budget discussions? That would give them a greater opportunity and make them also very much a part of the whole budget. So they'd know the process, how it went through, the subcommittee met, agreed unanimously, that they have the opportunity through the Legislature, as well as

meeting with many of us, all sides. But if we have those names, then they can be notified of the process next year, and we would be pleased to hear their submissions in the next round.

Mr. Colle: This is normal. In every pre-budget consultation there are people who make submissions who aren't able to be scheduled. They can make written submissions and they're free to do so.

Those who have been on the road here for the last week and a half—and Mr. Flaherty has seen fit to join us today. There has been ample opportunity for people to come in different cities. You're not going to please everyone, but again, they can make written submissions. This is why you can't make these kinds of scheduling arrangements at the last minute. That's why you have the subcommittee meetings to make these arrangements. This year is quite unusual, because the fact is the House is returning much sooner than usual: February 15. So again, it's something everybody agreed to and I think it's open for submissions right up until budget time, in fact, if they want to make submissions on the budget.

The Chair: Further debate? Hearing none, I'll call the question. All in favour? Opposed? The motion is defeated.

We are now adjourned.

The committee adjourned at 1624.

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